

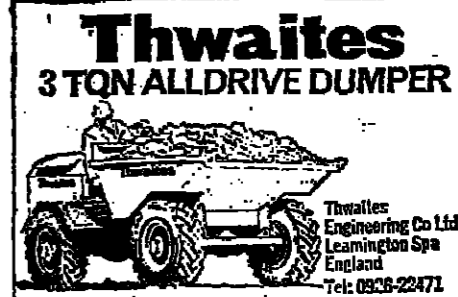
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FINANCIAL TIMES

No. 27,504

Wednesday March 8 1978

***15p



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NEWS SUMMARY

BUSINESS

Equities and gilts advance; gold up

● GILTS improved in inter-office trade after the official close as markets responded favourably to the latest banking figures. The FT Government Securities Index registered a rise of 0.09 to 74.89.

● EQUITIES also made late gains. The FT 30-Share Index, off 1.3 at 3 p.m., closed at 444.1.

ad-Yard raided houses in one, Sidcup and Bexley, in an operation aimed at finding a ring believed to be using weapons and explosives to gang of robbers.

grenades, pistols, knives, and equipment for the following the arrest in of a man who had a revolver with 50 rounds ammunition in the boot of his

number of people are help- ing, but the police said that there was no indication of terrorist involve-

Italy holds key

is holding up the ending of European security talks by insisting, against opposition of the other 34 states, on a declaration Mediterranean security, which would require the signed turning the conference into an object of ridicule.

Italy go-ahead

Government has given the go-ahead for a £164m. British to be built on a 94-acre site to St. Pancras Station, London. Work is expected to start next year on the building, which will house 25m. volumes completed towards the end of the century.

Chinese rights

has published a new edition, strengthening the position of its citizens to speak out increasing the powers of the Communist Party, Page 4

Libero victim

Werner Lamberz, among youngest members of the German Politburo and considered one of the most likely successors to Herr Erich Honecker, the Communist Party leader, has died in a helicopter crash in Libya, Page 2

Libero trial

gent Mobutu Sese Seko said 31 people, including 67 officers, will stand trial in Libero to-day, accused of plotting to overthrow him.

Spain jails actors

actors and an actress were for two years after being married in Barcelona on the day of the Spanish Civil War. They had previously been accused of killing a man, Page 2

Clackie snatch

well-dressed gunman held Mrs. Alice Kaiser, widow of a wealthy industrialist, in New York and escaped with her 100 diamond necklace as she returned home from a birthday party for Elizabeth Taylor.

Gun battle

A building is going on round No. 1, a Somali guerrilla leader, who appears likely to stay in the town in the Ogaden, six months ago by the U.S. has been recaptured by Ethiopian forces in their new offensive.

Lefty

Prime Minister's twice in question time in the Commons will be broadcast live on 4 on Tuesdays and Thursdays after the Easter recess. Mrs. Margaret Thatcher has been appointed by the Government to undertake a tour of about 30 cases of people claiming to be disabled by Thalidomide.

receptive pill for men is to be 50 volunteers in London, to Home, the 19th-century Lord Aberdeen, has been left for the nation for 1000.

united President Julius Nyerere's son has been expelled from Salisbury University on an illegal protest march.

army certificate for a to p on April 1.

IEF PRICE CHANGES YESTERDAY

ces in prices unless otherwise indicated	
Sandhurst Marketing	25 + 3
Com. Plans	107 + 3
Beralt Tin	55 + 4
De Beers Dtd	22 + 11
Free State Gold	217 + 1
Gold Fields	213 + 1
Randfontein Ests.	255 + 1
Welkom	297 + 17
Western Holdings	218 + 3
Winkellbank	215 + 20
FALLS	
Fisons	246 - 11
Oil Exploration	182 - 10
Falcon Mining	195 - 13
Rhodesian Corp.	20 - 3

Rhodesian border conflict worsens with Zambesi raid

BY MICHAEL HOLMAN, LUSAKA, March 7

Rhodesian forces to-day launched what a Zambian Government spokesman called "an unprovoked and indiscriminate attack using jets, helicopters and ground troops" across the Zambesi river.

The attack appears to be a briefings from military or major intensification of the Ministry of Defence personnel. Rhodesian forces, Zambia later to speculation that the Rhodesian Rhodanese aircraft while fighting continued with wounded Zambian soldiers being airlifted to hospitals in Lusaka.

Government troops "are continuing to carry out a series of pre-emptive strikes at Zambesi camps, before Mr. Nkomo mobilises his 6,000 to 8,000-strong army, of whom only 500 are thought to be inside Rhodesia. This bank of the army is based in Zambia where there are already warned of the inevitability of Russian and Cuban involvement should the Rhodesian war intensify and the West continue to offer qualified support of the agreement reached in Salisbury last week between Mr. Smith, the Rhodesian Prime Minister, and internally-based black leaders.

Officials of Zambesi maintain there is not a guerrilla camp near Zambesi, nor they say, are their Zambesi guerrillas involved in the fighting. Yet observers here say it would be surprising if the Continued on Back Page



place on this scale — will reinforce the deeply pessimistic mood among Zambian Government officials. They have already warned of the inevitability of Russian and Cuban involvement should the Rhodesian war intensify and the West continue to offer qualified support of the agreement reached in Salisbury last week between Mr. Smith, the Rhodesian Prime Minister, and internally-based black leaders.

Israeli Defence Minister threatens to end visit

BY DAVID LENNON

TEL AVIV, March 7.

MR. EZER WEIZMAN, Israeli Minister of Defence, has threatened to end his visit to the United States and possibly resign from the Government if work is renewed on building two Israeli settlements on the West Bank of the Jordan.

He sent a message to this effect to Jerusalem yesterday from New York, where he heard reports that the Government was considering rescinding his orders to freeze all settlement activity until after Mr. Menachem Begin, the Prime Minister, visits Washington next week.

This is only the latest public expression of the sharp rift in the Cabinet on the settlement issue. Mr. Weizman opposes settlement activity in the occupied areas while peace negotiations are in progress. Last week he ordered the Army to prevent creation of a new settlement in Sinai. At the week-end he issued similar orders on two settlements projected on the West Bank.

His decision further illustrates his firm resolve to prevent the pro-settlement lobby in the

Cabinet from "creating facts" in his absence.

Last week he persuaded the Prime Minister to back his decision to stop settlers building a village in Sinai, in spite of the protests of Mr. Ariel Sharon, the Agriculture Minister, who follows a policy of "settle now, justify later."

Angry campaign

The two West Bank settlements, at Nebi Salah and Beit El, are projects of the quasi-messianic Gush Emunim group. The Defence Minister's ban on these settlements has aroused the settlers' anger, and they have launched a campaign of protest against the Government.

To-morrow they plan a demonstration outside the Prime Minister's office in Jerusalem, and later may try to set up unauthorised settlements.

It was apparently Mr. Weizman's fears that Mr. Begin might waver in the face of this protest that led him to issue his ultimatum.

A senior American official said

Bird's Eye to shut Kirkby plant

BY RHYS DAVID

BIRD'S EYE, part of the Unilever group, to close its Kirkby plant in Liverpool, with the loss of about 1,200 jobs. It is the second major company to pull out of Merseyside within the past four weeks because of labour problems.

The plant, which makes meat pies, has been at a standstill for 14 weeks because of a dispute involving 110 maintenance workers. The company warned of closure in January if the strike lasted more than 12 weeks.

British Leyland announced last month that it was closing its Speke plant, the loss of more than 1,000 jobs. The move again came after a prolonged dispute had halted production.

Bird's Eye said yesterday that

the decision had been taken by hourly-paid workers now dismissed, but no announcement has been made on their future.

Local union leaders were too surprised last night to comment about the closure decision. But Mr. Robert Kilroy-Silk, Labour MP for Ormskirk, called for an immediate halt to all Government aid to Unilever.

Mr. Kenneth Webb, chairman of Bird's Eye, wrote in a company newspaper in January that the Kirkby plant had the worst record of any Bird's Eye factory and described the workforce as acting like lemmings.

The closure decision comes when unemployment on Merseyside is nearing 80,000—more than 10 per cent. of the total labour force—with Kirkby one of the worst affected areas.

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Growth of money supply reduced

BY MICHAEL BLANDEN

THE GROWTH of the money supply slackened last month but remained well above the Government's target levels.

The banking figures published yesterday indicate that the sterling money supply on the wider definition (M3), which is the main measure used in official monetary controls, rose by substantially less than the 2.3 per cent. increase recorded in January.

At the same time, the London clearing bank figures suggest that there may have been a recovery in lending to manufacturing industry while personal customers cut their borrowing for the first time in recent months.

The main pointer to the money supply is given by the Bank of England statistics of the total eligible liabilities of the banking system. These are the main deposit funds of the banks, and an important component of money supply.

Eligible liabilities rose by around 1.4 per cent in the four-week period to mid-February, after a jump of nearly 2 per cent. in the previous month.

This outcome suggests that the growth of money supply so far this year has remained substantially higher than the top end of the official target range of 9 to 12 per cent. for the year ending in mid-April, but has started to come down from the exceptional growth rate experienced in the previous month.

In the nine months to mid-January sterling M3 had already risen by nearly 11 per cent., equivalent to an annual rate of around 1.4 per cent., leaving only 2 per cent. further expansion within the target for the remaining three months of the year.

The gilt-edged market, which had been influenced by predictions of a substantially bigger rise, reacted favourably in late dealings yesterday.

The growth of eligible liabilities, affected by exceptional movements in the banks' money market assets, may slightly exaggerate the growth of money supply during the month. This is in any case subject to a number of adjustments, including particularly for seasonal factors, compared with the banking figures.

The clearing banks showed that their sterling lending to the U.K. private sector rose £244m. during the month, indicating an underlying increase after seasonal adjustments of perhaps around £150m. Most of the rise was in the manufacturing sector.

The official said Israel's new position that U.N. Resolution 242 does not call for Israeli withdrawal on the West Bank has affected the negotiating atmosphere, and stressed that the U.S. has always held that Resolution 242 does call for withdrawal, on all fronts.

More Middle East News Page 4

Japan pegs car exports to Britain

BY STUART ALEXANDER

JAPAN HAS agreed to restrict shipments of cars to the U.K. in 1978 to the same level as last year. The agreement is for a year initially but is expected to be renegotiated for 1979 by representatives of the two countries' motor industries.

The agreement, by the Japanese Government is the first it has given in the growing dispute over car sales.

The number of cars sent to Britain this year will be no greater than last year and a similar arrangement has been made for light commercial vehicles. No heavy lorries will be shipped direct to the U.K.

Mr. Edmund Dell, Trade Secretary, told the Commons yesterday that the Japanese Ministry of International Trade and Industry was to give strong administrative guidance to the Japanese vehicle industry.

A letter delivered by the Japanese Ministry to the British embassy in Tokyo said this should lead to a natural decline in the Japanese share of the U.K. car market "assuming the market grows in accordance with the forecast given by the U.K. Society of Motor Manufacturers and Traders to the Japanese Automobile Motor Association."

There will be no attempt now to impose formal restrictions on Japanese car imports, unless the agreement is ignored, and the Government feels this will give the U.K. industry a chance to improve its performance.

"I very much hope that British manufacturers, particularly British Leyland, will be able to take advantage of the greater degree of certainty which the Japanese assurances give them," Mr. Dell said.

It is thought, however, that if strikes or poor productivity in the U.K. industry lead to a shortage of cars then the Japanese would be allowed to compete.

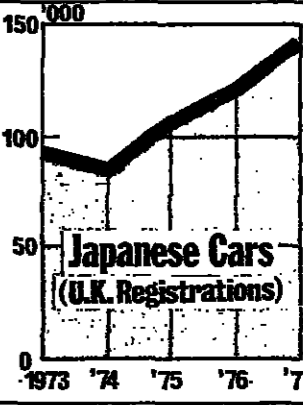
In its letter, the Japanese Ministry said it was prepared to give the guidelines "fully recognising the special circumstances of the British industry and sincerely hoping for the early and successful revitalisation of the British industry."

British Leyland, which has been pressing for some sort of control for some time, said last night it was pleased with the assurances but added that, while its own stocks were high, so too were those of the Japanese.

Department of Trade estimates put Japanese stocks at between 40,000 and 50,000—about four months' supply.

Last year, 140,410 Japanese cars were registered in the U.K. for a 10.81 per cent. share of the market. The Government would like to see that drop below 10 per cent.

This year, the total U.K. market is expected to expand



Japanese Cars (U.K. Registrations)

from 1.3m. to 1.45m. cars and demand has been strong in the first two months.

Sales of Japanese cars have been high—about 13 per cent. of the market—but this can be evened out.

The market should turn down later in the year, then there are provisions in the agreement with the Japanese Government for some further restraint with shipments and sales being monitored.

The Government clearly is relieved at not having to impose restrictions—although the option remains open—and sees the agreement as part of the strategy for reducing the imbalance of visible trade with Japan. However, cars account for only 20 per cent. of the imports from Japan and the estimated overall trade deficit of £360m.

Last night, Mr. Doug Hoyle, president of the Association of Supervisory, Technical and Managerial Staffs, and Labour MP for Nelson and Colne, said the assurances were vague, weak and woolly.

Dealers in Japanese cars were upset and the Datsun Dealers' Association has placed advertisements in national newspapers this morning explaining its position.

They claim they are the victims of unilateral discrimination and point out that the cost of all Japanese cars brought into Britain accounts for only 0.7 per cent. of the total U.K. import bill.

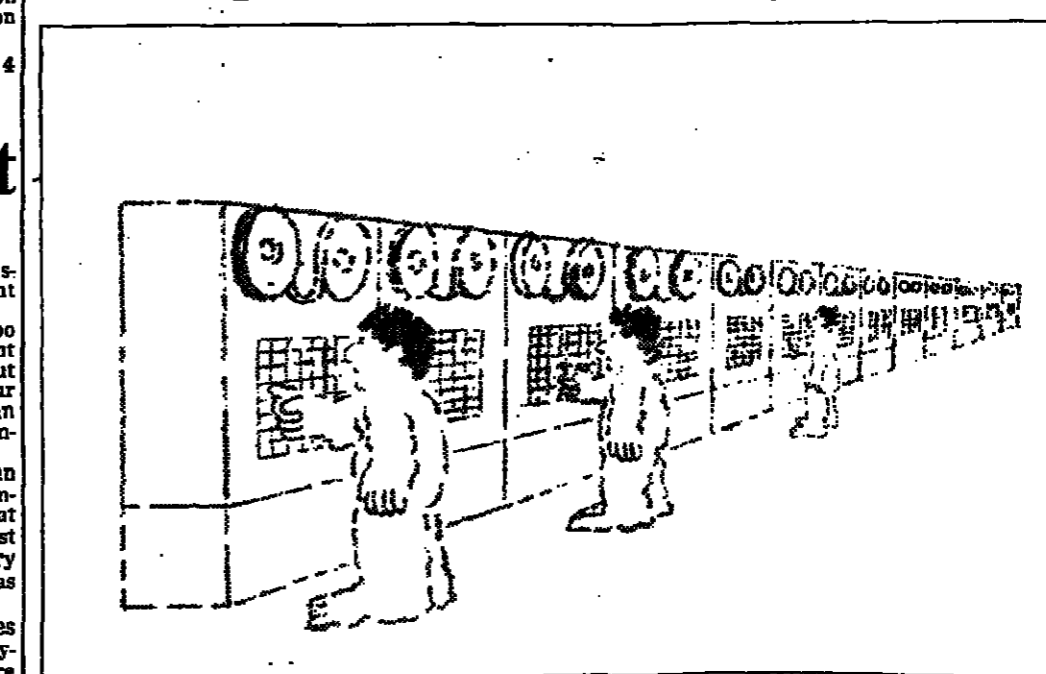
Mr. John Ebenezer, managing director of Mazda Car Imports, said an inevitable consequence would be a rise in the level of imports of European cars. He was doubtful if it would give Leyland any breathing space.

Most Japanese car dealers are expected to review their pricing policies in the light of the agreement. With volume limited and the scope for growth removed they will want to see profit maximised and this probably will lead to reduced discounting.

Editorial Comment Page 22

Recovery in car sales Page 32

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EUROPEAN NEWS

EEC Ministers settle French farm price row

BY MARGARET VAN HATTEN

BRUSSELS, March 7.

EUROPEAN AGRICULTURE Ministers to-day resolved the dispute over French farm prices with a package of compromise measures which, while giving the French Government to claim a small pre-election triumph for its rural voters.

After 12 hours of negotiation, Ministers decided at 3 a.m. to permit a 1.2 per cent devaluation of the Green franc and, for the three weeks preceding the French general election, to lengthen the period on which changes in monetary compensatory amounts (MCAs) are based.

The MCAs, which tax exporters and subsidise importers to compensate for the difference between the foreign exchange value of the franc and the overvalued Green franc used to translate EEC common farm prices into national currency, are normally fixed each week on the basis of the preceding week's foreign exchange movements.

For the next three weeks they will continue to be adjusted weekly, but on the basis of the preceding three weeks' move-

ments, ironing out the impact of erratic currency fluctuations. This will apply to all EEC members but is of particular importance to the French, who had demanded a freeze on MCAs on the grounds that the current pressure on the franc is due to its rural voters.

Further 2.5 per cent during next month's farm price review, an immediate 1.2 per cent devaluation is unlikely to cause them much inconvenience.

The temporary change in MCA calculation, since it applies to all EEC members, will have only a minimal impact but should slow the drop in French farmers' incomes at least until after the election.

The French were also demanding increased protection for pig farmers. But Mr. Pierre Malsiner, the French Agriculture Minister, appears to have been satisfied by a promise from Mr. Finn Olav Gundelach, the Agriculture Commissioner, to re-activate proposals which would reduce the MCAs on pigmeat.

Mr. Gundelach also pointed out that in resisting the EEC Commission's MCA changes announced last Friday, the French were in fact acting quite legally.

Due to a printer's strike which delayed publication of the changes, Italy and the U.K. which had implemented their changes, were technically violating the rules.

Political factors, and that agricultural producers ought to be protected.

Though the French did not immediately accept the compromise, reserving their judgment for several hours, it is generally felt that they have scored a few small points. Since they were already hoping to devalue the Green franc by a

point of view is that it seeks tighter safeguards over the use of nuclear fuels exported by the U.S. notably in its provisions for consultation in advance of reprocessing by EEC countries of U.S.-enriched uranium.

EEC Foreign Ministers were urged to-day to comply with the U.S. demands by Dr. Guido Sommer, EEC Energy Commissioner. He pointed out that, by accepting the principle of negotiations, the EEC would not be committing itself to any firm date for opening or completing the talks.

He said that the U.S. law allowed two years for the negotiations to take place but that this deadline could be extended indefinitely on a year-by-year basis.

Mr. Carter is due to sign the Bill this week. Its most significant feature from the EEC's

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Possible successor to Honecker killed in air crash

BY LESLIE COULT

BERLIN, March 7.

HERR WERNER LAMBERZ, an East German Politburo member considered to be among the most likely successors to Communist Party leader Erich Honecker, has died in a helicopter crash in Libya. Another prominent East German party official, Herr Paul Markowski, was among the 11 killed.

Herr Lamberz, who was 48, was one of the youngest members of

the 19-man Politburo, whose average age is 62. He was the Central Committee secretary for agitation and was playing an increasingly prominent role as Herr Honecker's confidant and special ambassador abroad.

Herr Lamberz was recently in Addis Ababa for talks with the leadership there on East German assistance for Ethiopia in its war with Somalia. He was playing an

important role as a roving ambassador in Africa and the Middle East with the express approval of the Soviet Union. He was in Libya for talks with Col. Gaddafi.

Like Herr Honecker, Herr Lamberz came up through the ranks of the East German youth organisation, which is known as the "personnel force" of the East German leadership. He was

one of the few East Germans in opposition to the conclusion of the Four Power agreement in Berlin.

Herr Lamberz's seat in the Politburo will be filled by one of the ten candidates for the German party's highest body whom two are women.

Now, no woman has had a seat in the East German Politburo just as there are no women in the Soviet Politburo.

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German print lock-outs called off

By Adrian Dicks

BONN, March 7.

MANY West German newspapers were expected to-day to resume normal publication on Wednesday, for the first time in a week after the national employers' federations called off the limited lock-outs imposed as a counter-measure to widespread printers' stoppages.

The resumption was, however, seen as a pause in the dispute over the introduction of new printing technology, rather than a move in the direction of peace.

The printers' union, IG-Druck und Papier, announced that it would maintain strikes called ten days ago in Munich, Düsseldorf, Kassel and Wuppertal, and said that it would hold further ballots in other printing plants, implying that more strikes might be called.

A ballot was being held to-day at the Hamburg plant producing North German editions of several of Herr Axel Springer's newspapers.

At a meeting of striking printers in Stuttgart, Herr Detlef Hensche, a member of the IG-Druck national executive, cast doubt on the union's willingness to accept the mediation of Herr Josef Stiglitz, the head of the Federal Labour Office. He objected that Herr Stiglitz's name had been mentioned as "a deliberate indication" by the employers' organisations with the real intention of making peace talks harder.

Meanwhile in the engineering and metal fabricating industries, strike ballots were getting under way to-day in North Rhine-Westphalia, the largest of the wage-bargaining regions, and in North Württemberg-North Baden, the second most important. It was widely assumed here to-day that the union, IG-Metall, would secure the three-quarter majority it needs from the rank and file membership in order to be able to call strikes.

The prevailing view here is that France has deliberately hardened its attitude in advance of this month's elections. However, it is hoped that once the election is over, the absence of any strong support from its EEC partners will lead it to drop its opposition.

Confrontation between riot police and protesters calling for freedom of expression continued to-day following the hospitalisation of two demonstrators yesterday when police entered Barcelona's university for the first time in three years.

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Swiss Bank to consider new exchange rules

BY JOHN WICKS

ZURICH, March 7.

THE INTRODUCTION of further measures affecting foreign exchange trading is being considered by the Swiss National Bank. Any new steps of this kind would be aimed primarily at providing a clearer view of market activity and allowing the Central Bank to act more quickly and effectively in the case of marked fluctuations in exchange rates and particularly hectic trading conditions.

On Sunday evening, Dr. Fritz Leutwiler, National Bank president, had said the monetary authority had not "shot its bolt" in the battle against excessively high Swiss-franc parities. He stressed that there would be no splitting of the exchange rate but indicated there was still room for action in the currency market itself.

Although Dr. Leutwiler had criticised what he said were sometimes astronomical turnover volumes in foreign exchange trading, a National Bank spokesman to-day said that it was not intended to introduce a ceiling on turnover. While he was unable to specify what other measures might look at, other sources indicate that these could include

such moves as: lowering the minimum sum (currently Sw.Frs.5m.) for individual deals which have to be reported to the National Bank; or daily reporting of banks' foreign currency positions, instead of weekly.

The National Bank's own power of intervention on the foreign exchange market was increased at the same time as the recent reintroduction of a ban on sales to non-resident foreigners of Swiss domestic securities. It was then permitted to enter into forward contracts of up to 24 months, instead of the former period of three months, thus enabling longer-term intervention activity. In 1977 the Swiss National Bank had carried out total foreign currency interventions of Sw.Frs.15.55bn.

Swiss stock prices slumped across the board yesterday, as sellers dominated trading, forcing the highest level of activity and cut in prices since the Swiss authorities barred non-resident foreigners from this and other securities markets.

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Andreotti ends economic consultations

By Paul Setts

ROME, March 7.

ON THE eve of the political party summit meeting expected to give the formal go-ahead for the formation of a new Christian Democrat minority Government supported in Parliament by the Communist Party, the Premier-designate, Sig. Giulio Andreotti, concluded his consultations to-day on his economic programme with the national employers' organisation, Confindustria.

Sig. Guido Carli, the Confindustria chairman and former Governor of the Bank of Italy, said after his talks with Sig. Andreotti that the employers had urged the Premier-designate to consider measures to reduce Italian labour costs, encourage labour mobility and combat youth unemployment.

He said that his organisation strongly favoured the adoption of a social contract along British lines, with a temporary freeze on salaries.

The Italian union movement has indicated its willingness to moderate wage claims in exchange for new investments, particularly in the depressed South. However, after talks with Sig. Andreotti last night it reserved judgment on the new Government's programme until it was formally approved in Parliament.

The employers to-day advocated the highest possible growth rate to sustain the economy without endangering the country's balance of payments. To this effect, Sig. Carli suggested that investments in the industrial north of the country should be directed towards increasing productivity in existing plants, while in the south the policy should aim at promoting new job-creating investments.

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THE FRENCH LEFT'S NATIONALISATION PLANS

A giant leap into the unknown

BY DAVID CURRY IN PARIS

THIS time next year France will have, or be on its way to, one of the biggest public ownerships in the non-Communist world. Although the Communists have quarrelled in the past about the treatment of minorities, they are now committed to a significant extension of state ownership.

MAIN COMPANIES IN EXISTING STATE SECTOR
enault: Turnover of Frs.25.3bn. in 1976, employing 40,000. Profitability patchy, lorry sector disastrous, at role as locomotive of industry all-important.
Electricite de France: Turnover of Frs.51.7bn. in 1976, employing 100,000. Frs.120bn. to spend on nuclear power in six years.
az de France: Turnover of Frs.43bn. in 1976, employing 7,000. Gas utility linked with EDF.
IF-Aquitaine: Turnover of Frs.37bn. in 1976, employing 3,000. Leading exploration oil company stronger in as than oil. Frs.1bn. refining losses in 1977.
harbournages de France: Turnover of Frs.11.1bn. in 1976, employing 50,000. Coal mining enterprise with large chemicals, plastics and fertiliser subsidiaries.
erospatiale: Turnover of Frs.9bn. in 1976, employing 1,000. Helicopters and missiles healthy, aircraft sector very sick.
NCF: Turnover of Frs.27bn. in 1976, employing 270,000. the national railway system which absorbs half of the total public sector direct subsidy. Cut-price road freight subsidiary.
ir France: Turnover of Frs.8bn. in 1976, employing 1,000. Frs.8bn. to invest in three years. Chronic government interference.
ost Office (PTT): Budget of Frs.59.4bn. in 1977, employing 420,000. Biggest investor in France: Frs.27bn. in 1977.

finance and industry should whose names do not officially appear on the nationalisation list. Thus, the public works contractor Bouygues, the Lafarge cement group, and Europe's largest publishing house, Hachette, would become effectively subservient to the state. But, as the table shows, the left also had its disputed list of nine industrial groups for nationalisation. Depending on how far it goes in buying out minority interests, the number of companies affected ranges from 10 to 200. A number of analysts have tried to calculate the impact of additional nationalisation. Three private sector institutions, senior Finance Ministry officials,

writing under pseudonym Christian names Stoffaers and Jacques Victorri, claim that the addition of the credit sector and the industrial groups would make the state responsible for 25 per cent of industrial employment against 13 per cent. now, for 40 per cent of French industrial exports and 50 per cent of investment.

A different analysis which focuses on those companies incidentally drawn into the state's orbit as a result of the nationalisation of credit institutions argues that the proportion of industrial production owned by the state would rise from the present quarter to around 45 per cent. The state would also end up owning on average around 52 per cent of the capital of the country's leading 500 concerns.

To round-off the statistical skirmishing a study assesses the state sector in terms of proportion of added value. This puts the size of the French existing public sector at 11 per cent compared with 14 per cent in Austria, 12 per cent in Italy and Sweden, 10 per cent in Holland and Britain and 7 per cent in Germany. The new nationalisations would raise the French figure to 18 per cent. This would bring almost a third of the workers in industry on to the state payroll.

Before examining the quarrel within the left, the nationalisation of the whole debate must be put in perspective. In fighting the left's proposals the majority face one big psychological handicap: the biggest nationalist in France was the late General de Gaulle. He gathered essential services and functions into the state's hands immediately after the war to act as locomotives for France's industrial recovery. Thus, the three big state-owned banks, Banque Nationale de Paris, Credit Lyonnais and Societe Generale, owe their status to de Gaulle. The main utilities were also taken over, in retaliation for his alleged wartime collaboration. Louis Renault was deprived of his motor empire.

A second important point is that nationalisation has crept forward throughout the Fifth Republic. This has not been by outright take-over authorised by parliament, but by the use of state-owned companies as pivots for industrial regrouping and as instruments to rescue private concerns which might otherwise fall into foreign hands. Renault's absorption of the Michelin tyre/Citroen car heavy vehicle subsidiary Berliet, the expansion in the state-owned coal industry subsidiary CEA-Chimie, the introduction of ELF-Aquitaine, the state-owned oil group, into the capital of the protein manufacturer Rousselot to keep out British Petroleum, are examples of such creeping nationalisation. Even M. Raymond Barre, the Prime Minister, an impeccable free enterprise man, last year announced the government's intention to take a blocking minority stake in the capital of the country's main defence contractor Dassault-Breguet, the manufacturer of the Mirage aircraft.

Alcatel and ITT was done at the behest of the industry ministry, as was the complex redistribution of assets in the nuclear industry to make Creusot-Loire the technological master-company for France's nuclear construction programme. The state's interests here are directly represented by the CEA, the equivalent of Britain's Atomic Energy Authority which has an important stake in the capital of strategic joint ventures, including Framatome and Novatome.

Thus, the battle is not between private enterprise and public control. It is between a form of compromised capitalism operating alongside a strong state sector and between an economic system formally controlled in essence by the state.

Inevitably the prospect of further nationalisations has led to attempts to compare the profitability of the existing private and public sectors. In practice it is almost impossible to establish an acceptable basis of comparison.

It is difficult to make clear distinctions between private and public sectors. After all, it was the state which pushed Citroen into Peugeot's arms (and provided the dowry) as well as consigning Berliet to Renault. To take another example, the state-owned aerospace company Aerospatiale could hardly survive without the subcontracting it does for the private enterprise Dassault.

For the record the direct subsidy to state industry in 1977 was around Frs.30bn. Of this around half was to the state railways, not least for a pension fund which pays out to 420,000 pensioners although present work-force is only 264,000. Charbonnages de France, Aerospatiale and Air France are other recipients. However, to balance the picture the private sector benefits from heavy official funding, particularly in the defence area, and the two giants of the public sector, the post office (which invested Frs.26.7bn. last year) and Electricite de France (which will invest Frs.120bn. on nuclear power up to 1985) are the lifeblood of many a private company. Where exactly does the left stand on nationalisation?

There are three basic issues: ● The length of the list. The Communists would like to add oil, Peugeot-Citroen and the steel industry (the state already has 70 per cent of Elf and 35 per

THE INDUSTRIAL CANDIDATES FOR TAKEOVER
Saint-Gobain: Turnover of Frs.32bn. in 1977, employing 160,000. Flat glass, packaging. Half of sales but almost all profit earned overseas. Black spot: paper.
Thomson-Brandt: Turnover of Frs.16.8bn. in 1976, employing 105,000. Electrical engineering, defence, aerospace, household electricals, medical equipment. A nucleus of the government-organised telecommunications industry.
Compagnie Generale d'Electricite: Turnover of Frs.27.6bn. in 1976, employing 171,000. Heavy electrical engineering, shipbuilding, public works contracting and telecommunication cables. Another key telecommunications company. Central position in power station engineering. Substantial financial holdings.
Roussel-Uclaf: Turnover of Frs.3.27bn. in 1976, employing 15,500. Fine chemicals, pharmaceuticals, animal products, cosmetics. Majority-owned by Hoechst of West Germany.
Rhone-Poulenc: Turnover of Frs.21.7bn. in 1976, employing 113,500. Heavy chemicals, pharmaceuticals, textiles,

fertilisers. Recent expansion in fertilisers. Emergency surgery in textiles.
Pechiney Ugine Kuhlmann: Turnover of Frs.22.3bn. in 1977, employing 98,000. Metals, special steel, chemicals. Fragile recuperation. Emphasising overseas expansion and non-mining activities. World's fourth-largest aluminium producer.
Dassault-Breguet: Turnover of Frs.5.7bn. in 1977, employing 15,000. Aircraft manufacture. State to take over one-third stake. Frs.12.8bn. orders in 1977, 87 per cent for export.
ITT: Turnover of Frs.3.9bn. in 1976, employing 22,000. Telecommunications, industrial and household electricals and components. The remaining telecommunications nucleus, otherwise self-governing empire of medium-sized concerns.
CIT-Honeywell-Bull: Turnover of Frs.3.8bn. in 1977, employing 19,000. Computers, peripherals. France's latest attempt at a computer industry based on U.S. partnership. Frs.1.2bn. four-year state subsidy.

THE COMMUNIST "ADDITIONS"

Chiers-Chatillon: Turnover of Frs.3.46bn. in 1976, employing 14,000. The smallest of the steel groups. Consolidated 1976 loss of Frs.263m.
Denain Nord-Est Longwy: Turnover of Frs.19.6bn. in 1976, employing 82,000. Controls Usinor, Vallourec and half-stake in Fos Centre. Usinor lost Frs.4bn. in three years and workforce cut by 3,000.
Marine-Wendel: Turnover of Frs.13bn. in 1976, employing 56,000. Main Lorraine steelmaker. About 8,000 jobs shed. Complex restructuring in process. Losses similar to Usinor.

Schneider S.A.: Turnover of Frs.15.3bn. in 1976, employing 130,000. Steel, electrical, public building and, above all, nuclear group crucial to French energy development.

Peugeot-Citroen: Turnover of Frs.35bn. in 1976, employing 151,000. Leading car manufacturer. Frs.1.37bn. of consolidated profit in 1976. Government loans to take over Citroen repaid.

CFP-Total: Turnover of Frs.47bn. in 1976, employing 44,000. Thirty-five per cent. state-owned energy group. Refining losses said to threaten exploration programme.

cent. of CFP-Total) to the list of the parent brings control of the stakes in subsidiaries. The Socialists have refused but there is room for manoeuvre in issue, however, touches on the essential difference in ideology between the two parties: the Socialists are interested in control, the Communists in ownership. Beyond this the Socialists see the conflict between the mixed and the directed economy.

● The same question of control or ownership bedevils arguments over compensation. The Communists want the re-minority shareholders should be bought out in all subsidiaries of the nine parent companies where the parent complete ownership. The company stake exceeds 50 per cent. The Socialists will allow voting by non-voting stock percentage of shares and are prepared to buy out minorities in certain "strategic" subsidiaries. The argument might seem academic: after all, ownership of the financial

sector will, in many cases, already bring control of some of these stakes.

At the moment the two sides are sticking to these positions. The socialist-leaning union the CFTD has proposed a compromise which would lead to the buying out of minorities where the holding company stake was 66 per cent or more and would also legislate to remove the powers invested in the present "blocking" minority, thus removing the Communist fear that minority shareholders could effectively frustrate the state's plans for a concern.

There is a fourth dispute: the original common programme says that the Government may decide to take a common way into public ownership if its workers request it. The Socialists see this as opening the way to nationalisation a la carte (and at the prompting of the CGT communist-led union). The Communists, claiming that

the provision was inserted by the Socialists in any case, say that it is only an option, not a commitment.

The tables spell out what the Left would get for its money or its paper if the nationalisations go ahead. Briefly it would get virtually the whole telecommunications sector (Thomson-Brandt/CSP, CCE and ITT) with substantial defence interests and a strong position in the household electrical goods; heavy engineering and public works contracting market; the defence establishment (together with the most un-strategic Dassault-owned glossy weekly Jours de France whose main preoccupation is royal weddings); a significant addition to the State's strength in the chemical and fertiliser fields (Rhone-Poulenc included) France's main metals and mining concern — Pechiney-Ugine-Kuhlmann — and one of its chief pharmaceutical and fine chemicals operations (Roussel-Uclaf).

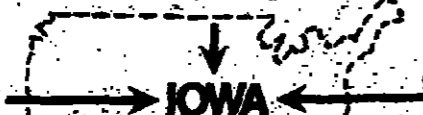
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OVERSEAS NEWS

Japan bank rate cut likely as yen rises

By Charles Smith

TOKYO, March 7 THE SHARP RISE in the yen's exchange rate against the dollar which occurred on Monday (when the yen appreciated nearly two points on the Tokyo foreign exchange market) has greatly increased the chances of an early cut in Japan's bank rate.

This was made clear today when Mr. Takeo Fukuda, the Prime Minister, told the Diet that the bank rate might be lowered at "an opportune time" to cope with further yen appreciation. The cut, from the current rate of 4.25 per cent, could be by 0.5 per cent, or even 0.75 per cent. It would be designed both to reduce the incentive for foreign investors to shift hot money into Japan and to counteract some of the unsettling effects of the yen appreciation on domestic business confidence.

The Government is showing extreme concern on this latter point today, so much so that the economy had appeared to be gradually picking up during the two months or so of exchange rate stability which preceded the latest bout of yen appreciation.

Monday's flurry on the foreign exchange market had also produced hints from officials that a new round of foreign exchange controls designed to restrict hot money movements is being "studied". It seems unlikely, however, that Japan will invoke such controls as anything other than a last resort. Before doing so the Government will apparently appeal to the U.S. to show greater "responsibility" in its management of the dollar exchange rate.

The appeal will be made to Mr. Charles Schultz, the chairman of President Carter's Council of Economic Advisers, who is due in Tokyo shortly for consultations with his Japanese opposite number, Mr. Kiichi Miyazawa, the Director General of the Economic Planning Agency.

A third effect of the yen appreciation has been to renew the urgency behind government efforts to correct Japan's balance payments surplus, probably by means of an additional series of emergency import measures. Mr. Fukuda hopes to have a list of such measures ready in advance of his planned summit meeting with President Carter in May. The measures could include stepped-up imports of aircraft from the U.S. and, for the first time in Japan's recent history, from Europe.

The yen had a quiet day on the Tokyo foreign exchange market today, closing at 81 equals ¥235.30, down 0.85 points from the previous day's close. Turnover on the spot market totalled \$395m, compared with Monday's exceptionally heavy \$825m.

Civil rights strengthened in new China constitution

PEKING, March 7.

CHINA TODAY published a new constitution strengthening the rights of its citizens to speak out and increasing the powers of the Parliament in relation to the Communist Party. The constitution, approved by the fifth National People's Congress on Sunday, replaces a document approved three years ago.

A striking feature of the latest document is that it is largely on the 1954 constitution, China's first as a Communist state, and gives back to citizens many rights since dropped.

Several complete articles from the original constitution have been revived in the latest one, while hundreds of references have been dropped from the 1975 document. For instance, the right to defence in a trial is now restored and any person can lodge complaints against Government workers. The country's ethnic minorities are also given back their rights to "preserve or reform their own customs and ways".

Presenting the draft constitution last Wednesday, the Party Vice-Chairman Mr. Yeh Chien-Ying said that with the removal of the extremist "gang of four", China must "energetically revive and carry forward our democratic tradition and fight against any encroachment on the people's democratic life or violations of the rights of citizens."

"If we are to bring out great order across the land, we must have the rules for running it," Mr. Yeh said in his speech, also published today. The new constitution stresses that all power in China belongs to the people. However it deletes a reference in the 1975 document that workers, peasants and soldiers are the main body of this power.

The new constitution also appeared to strengthen the role of the National People's Congress (NPC), the nation's parliament.

Poll debacle splits Janata

BY K. K. SHARMA

NEW DELHI, March 7.

THE RULING Janata Party has been jolted by its failures in elections in the south of India and is now deeply split with factions within it blaming each other for the reverses. The main targets are Mr. Morarji Deasai, the Prime Minister, and Mr. Chandra Shekhar the Janata Party President.

The attack on the Prime Minister is based on the view that the people are disillusioned by the Government's poor performance since it took office nearly a year ago, especially its failure to give primacy to rural development.

Mr. Deasai's main critic is Mr. Chandra Shekhar, the Home Minister, who used the opportunity of the Cabinet's discussion on the new "rolling plan" for development in the next five years for a bitter attack on the Prime Minister in his capacity as Chairman of the Planning Commission.

When the plan, which is to be discussed by the National Development Council on March 18 and 19, was presented to the Cabinet over the weekend, Mr. Chandra Shekhar is understood to have demanded reasons for the failure to allocate the bulk of the proposed outlay of Rupees 700bn.

Japanese investment shift likely

BY DOUGLAS RAMSEY

THE Japan Development Bank predicts in a recent study that equipment investment in the country's manufacturing industry will drop by nearly 7 per cent. in fiscal 1978 for the fourth consecutive year. In its half-yearly survey of capital spending, the bank polled a total of 1,323 companies in all sectors of the economy. Overall, Japanese business looks like increasing its capital expenditure by 7.3 per cent, according to the survey, because planned investment by non-manufacturing companies

will rise sharply (up 10 per cent). Electric utilities, in particular, plan a major expansion in their facilities with considerable financial help from the Government's expansionary 1978 budget.

The investment intentions of manufacturing companies largely coincide with the findings of another survey published this week by the Fuji Bank. According to Fuji's research director, Mr. Shinji Tsuji, Japanese industry as a whole is operating at 10 per cent less demand than

supply. To close the gap, Mr. Tsuji writes in the Bank's recent monthly report, "The only alternative is to reduce supply by scrapping equipment."

Several sectors where over-capacity is conspicuous, according to the Fuji Bank report, have already launched capacity cutbacks or are planning such moves.

According to Mr. Tsuji, "production capacity increased by 20 per cent in the period between 1973 and early 1977. In the past year, however, capacity increased by only 3 per cent."

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AMERICAN NEWS

In his third article about Cuba, Hugh O'Shaughnessy, recently in Havana, examines the relationship between Cuba and Ethiopia.

Marxism is the common bond

WHAT are the Cubans doing in Ethiopia?

Why should Fidel Castro's regime be so deeply committed to a part of the world with which Cuba has had few historic ties and with a government which it hardly knows?

However unlikely the commitment to the Ethiopian government of Colonel Mengistu Haile Mariam may seem to outsiders it is the result of a sequence of logical thought. If events go as the Cubans hope they will go, the Castro government stands to gain a great deal from its enthusiastic backing of the Ethiopians.

The cornerstone of Cuban involvement in that area of the world has for almost a decade been Havana's relationship with South Yemen. The government in Aden has declared itself Marxist-Leninist, an uncommon phenomenon for an Islamic country and has maintained close relations with Moscow. It has also had a close rapport with Havana, and used Cuban advisers to help train its army.

From their base in Aden, Cuban military personnel have helped the Ethiopian forces of the Popular Front for the Liberation of Oman (PFLO) to make war on the conservative regime next door in the Sultanate of Muscat and Oman. From Aden too, long before the overthrow of Emperor Haile Selassie in 1975, the Cubans were sending assistance to the Left-wing guerrillas in Eritrea, the Eritrean Popular Liberation Front (EPLF), who were fighting the central government in Addis Ababa.

South across the Gulf of Aden in Somalia, the Cubans gained influential positions in the administration of General Muhammad Siad Barre, not just training the Somali forces, but also in civilian political posts.

The Cubans' drive to win friends and influence people in the area was complicated by the emergence of an increasingly radical military administration in Addis Ababa.

The Cubans and their Soviet allies, increasingly drawn towards the radical policies of the Dergue and to the person of Colonel Mengistu, soon realised that it would be difficult to maintain good relations with the authorities in Addis Ababa.

The Cubans in particular did their best not to break with either side. Since well before the summit conference of the non-aligned countries in Colombo in 1976, Cuban officials were at work trying to get all sides to agree on a confederation of Left-wing states in the Horn of Africa. Negotiations continued at the Colombo summit and came to a climax in Aden in March last year when President Castro visited Addis Ababa. Mogadishu and Aden, saw the local leaders and made one final effort to square the circle.

It seems that Castro's meetings in Aden, Addis Ababa and Mogadishu proved a turning point in Cuban policy. The Cuban leader made the acquaintance of Colonel Mengistu who had just taken over power in the Ethiopian capital and seems to have been very impressed with him and the drive towards Marxism-Leninism that he was pursuing.

President Castro, never one to hesitate at making an audacious gesture, seems to have put his money on the Dergue, risking the reproaches of the Somalis and the EPLF.

As the months have gone by the Cuban commitment to the Dergue has become increasingly strong. The Cubans have given aid to Mengistu and sent military specialists as requested.

Nonetheless, there is considerable opposition in Africa to Cuban policy. In the Horn of Africa, the Organisation of African Unity (OAU). The Cubans make the point that they are helping Colonel Mengistu to repel a foreign invasion. In doing this, they say, they are defending the OAU policy of defending colonial boundaries.

Cuban officials repeat Colonel Mengistu's undertaking that Ethiopian troops will not cross the border into Somalia. They add that Colonel Mengistu is not at liberty to use his Cuban specialists in the fight against the Eritreans. The Eritrean problem, they say, should be solved through bilateral talks.

The benefits that Havana will harvest if its armed support of Colonel Mengistu consolidates him in power are manifold. There will be a fair chance that one of the most populous states in Africa, occupying an important strategic position, will move rapidly towards Marxism-Leninism.

Though it is obvious that the operations of the Cubans in the Horn of Africa have been closely co-ordinated with the Soviet Union, Cuban officials maintain that the relationship between the two Communist countries is no more than one of co-ordination and that Cuban policy is not dictated from Moscow. The Somalis too accept there is a distinction between Cuba and the Soviet Union in that they have broken relations with Cuba while maintaining them with Moscow.



President Tito of Yugoslavia, the first Communist head of state to visit President Carter at the White House, with the U.S. leader yesterday in a welcoming ceremony. The two leaders are to hold three days of talks.

Carter said to fear Israel backdown on UN call

BY JUREK MARTIN

WASHINGTON, March 7.

PRESIDENT CARTER is "concerned about the possibility that Israel will renounce UN Resolution 242, the heart of Middle East peace negotiations, in so far as it affects Israeli withdrawal from the West Bank of the Jordan."

This message was conveyed this morning by members of Congress who had breakfast with the President and represents confirmation of the scarcely veiled discontent in Washington with Israeli policies towards settlements in the occupied territories.

Although Mr. Moshe Dayan, the Foreign Minister, had said yesterday that there was no truth to the suggestion that Israel had withdrawn its support for Resolution 242, his simultaneous comment that there were a number of interpretations

of its application is seen here as an understatement of potentially deep division between the U.S. and Israel.

Both Mr. Dayan and Mr. Menahem Begin, the Prime Minister, are due to confer here with President Carter next week. While the U.S. might have expected to discuss the issue primarily with Mr. Begin, the Israeli Defence Minister, on his present visit, the disclosure that Mr. Weizman has threatened to resign over settlements issue is not helping the consultative process.

The U.S. has been disturbed that the current shuttle diplomacy may be practised by Mr. Alfred Atherton, the assistant Secretary of State, has made scant progress, largely because of the dispute over Resolution 242. Mr. Atherton has been shut

ting between Jerusalem and Cairo.

In his talks it is thought Mr. Weizman will be lobbying hard against the U.S. intention to sell aircraft to both Egypt and Saudi Arabia. But the U.S. decision to proceed with the sale is likely to be reinforced by settlements issue.

Moreover, in the continuing battle for American public opinion, Congressional opinion, which proved susceptible to President Sadat's persuasive powers early this year, Mr. Weizman may find it hard to square these moves with the loss of momentum in the talks. Mr. Weizman's becomes harder because Israel considered the prime contractor to the loss of momentum.

Court rules on tanker access

BY JOHN WYLES

NEW YORK, March 7.

THE U.S. SUPREME COURT has ruled that the individual states cannot impose restrictions on the size of oil tankers using their ports—a decision welcomed by the oil and shipping industries.

The Court partially upheld a lower court ruling that tanker size should be regulated by Federal authorities and that states cannot introduce tougher limits.

The case stemmed from a challenge by the Atlantic Richfield and Seatrail lines to a Washington state law which prevented tankers larger than 125,000 tons deadweight from

moving into and out of the six oil refineries around Puget Sound, off Seattle.

These refineries are now handling oil brought down from the trans-Alaska pipeline terminal at Valdez.

Washington state law was passed in 1975, access has been limited to small and medium-sized tankers.

The Supreme Court judgment could have implications for other ports along the U.S. west coast. East coast ports are too shallow to handle large vessels. Tankers are a favourite target for environmental groups and no

fewer than 16 states had a court briefs urging the court leave the Washington state law intact.

The court's ruling delivered on a 6-3 vote and maintain Washington state right to require that tankers escorted by tugs in Puget Sound at least until Federal authority issue guidance on tug-escort requirements.

In addition, all nine judges said the state could insist local pilots for vessels engaged in foreign trade but not on ships involved in domestic coast trade.

Fowler suggests \$ mop-up sale

BY DAVID BUCHAN

BRUSSELS, March 7.

THE U.S. SHOULD sell special Treasury notes to the central banks of its major trading partners, in order to mop up some of the dollar glut caused by the U.S. trade deficit.

The former U.S. Treasury Secretary, and present chairman of Goldman Sachs, Mr. Henry Fowler, told a meeting of the Conference Board in Brussels on the future of the dollar that something very similar had been tried in the 1960s with the issue of the so-called Roosa bonds, and that, if tried again, it would remove a "significant part of the periodic pounding the dollar

receives from the flow back of oil payments into the Euro-dollar banking system, reflecting the outflow of new dollars from the U.S. to pay for its oil imports."

The amount would be fixed to some percentage of the U.S. current account deficit, which last year totalled \$15bn. Other recent ideas, including proposals that the U.S. Treasury

borrow foreign currencies to exchange market intervention from the private markets, have been frowned on by the U.S. authorities. European bankers feel that this is partly because of the loss of face which the U.S. Administration fears it would suffer in going to the private markets for help.

Mr. Fowler claimed that his plan was only designed to mop up, and not displace, the agreement in the U.S. Treasury and the West German Bundesbank on a greater activation of the swap network for short term borrowings.

Senate schedules early vote on Panama treaty

BY OUR OWN CORRESPONDENT

WASHINGTON, March 7.

THE U.S. Senate has scheduled a vote on the first on the two Panama Canal treaties for March 16, much earlier than expected.

Although supporters in the Senate of the treaty have recently stepped up pressure for an acceleration of the debate (already over three weeks old), agreement on an early vote would not have been achieved without a shift in tactics by the opposition.

Some opponents claim that they have enough support to defeat the Panama neutrality treaty in ten days' time. Others argue that it is proper to concede the first and concentrate on the second treaty, which covers the transfer of power to Panama over the next 22 years. This is due to come up in April after the Easter recess.

At the moment neither side is confidently predicting that they have the support to either pass or deny ratification, which requires a two-thirds majority in the Senate. It generally agreed, however, that the tide has been slowly flowing in favour of the treaties, not least because of an effective and politically brave speech on their behalf two weeks ago by Senator Thomas McIntyre, the New Hampshire Democrat.

The neutrality treaty concerns Panama's pledges to keep the Canal open after it has assumed control in the year 2000. It will be amended in the course of the next 10 days, in accordance with the wishes of backers of the pact, to provide for right of priority passage to U.S. ships in time of war and granting U.S. defence rights in the next century.

Senator James Allen, the Democrat from Alabama, who is leading the opposition, has dropped a number of amendments he was planning to offer. He said nevertheless that he was encouraged by the rather small margin of the defeat suffered yesterday by his latest amendment.

Bahamas gambling

The two casinos in Bahamas showed gross winnings of \$247,142,290 (at par with U.S.) in 1976, of which \$24,954,424 were paid to the government in casino taxes, the most recent report of the Gaming Board shows, Neki Kelly writes from Nassau. An additional \$210,345 were paid for certificates and permits, and \$21,100,358 for immigration fees. The report states that, of the 1.4m visitors to the Bahamas in 1976, 63.8 per cent visited the casinos.

Blumenthal calls for pension fund aid to NYC

The U.S. Treasury Secretary, Mr. Michael Blumenthal, said that investments from New York City and state employee pension funds are needed to keep the city from going into bankruptcy, Reuters reports from Washington. "One simply cannot escape the conclusion that failure of the pension funds to make substantial purchases could make it impossible for the city to obtain the financing it needs," he told a Senate subcommittee on pension funds.

Guatemala poll chaos

Two rival politicians stormed into the electoral tribunal in Guatemala City with armed bands of supporters during chaotic voting counting after the general election, and final results were still not known yesterday, Reuters reports. The confused scenes at the election administration headquarters came amid mounting tension in the capital, following charges of fraud, suspension of the count, and rival victory claims. Dr. Francisco Villagrán Kramer, a vice-presidential candidate, said he was present when Vice-President Mario Sandoval Alarcon and a presidential candidate, Gen. Ricardo Paredes Mendez, burst in with their respective armed followers to complain about the way the counting was going. The authorities have ordered a secret recount.

ISRAEL'S OIL SUPPLIES

Protecting an Achilles heel

BY RICHARD JOHNS, MIDDLE EAST EDITOR

IF NOTHING else, the Shah of Iran's hint that he would, under certain circumstances, be prepared to deny oil supplies to Israel could be seen as official confirmation that Iran is providing a major strategic role in the oil-rich Gulf State. Policy hitherto has been to maintain a discreet silence on this sensitive issue in Tehran and in Jerusalem.

The question of Israel's oil imports has been subject to censorship and only occasional public pronouncements. Officials in Jerusalem were said yesterday not to be attaching much importance to what appeared to be an oblique warning—adding the current exchanges with Egypt initiated by President Sadat's initiative last autumn. He replied: "That depends. If there is a general decision by all, for instance America, to stop your delivery of arms—that kind of embargo—then everything is possible."

He added that another hypothesis might be embargo on everything such as has been decided against Rhodesia and South Africa by the U.N. The Shah added: "It is not in my hands, anyway. It must be a general policy agreed to by the U.S. and the U.N."

On the face of it the qualifications about collective action, and particularly U.S. participation in it, would seem enough to allay any Israeli fears. Clearly, Washington would defy any embargo and use its veto in the UN Security Council to thwart any attempt at imposing mandatory sanctions on Israel. Moreover at the time of the second Sinai disengagement agreement the U.S. gave a "guarantee" about Israel's future oil supplies.

However, from the beginning, the Shah has made clear his support for Mr. Sadat's initiative which, as it happens, was

launched just after the Egyptian leader's visit to Tehran where it was presumably discussed.

Speaking in an interview published last November 6 the Shah praised Mr. Sadat for having "fewer complexes" about peace with the Israelis and saying that they should take a gamble on peace—which would mean fulfilment of UN Security Council resolution 242 including evacuation of the occupied territories.

A shift in Iran's sympathies towards the Arab side was discernible long before Mr. Sadat's mission to Israel. Initially, it became evident about

to build up an emergency reserve for at least one year's requirements. The target may have already been met, not least through the large volume extracted from Abu Rudeis field (as well as three smaller ones) on the Red Sea coast of Sinai from the winter of 1977-8 until the autumn of 1977. Then in November of that year it was returned to Egypt as part of the second Sinai disengagement agreement.

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of which, however, was re-exported. For its own direct sales, especially to Europe, NIOC has also used the pipeline to Ashkelon. However, its throughput this year is said to be much less than last year, when market demand was stronger and the "discovery" of being offered by using this route. As it is, the facility can seldom have run at more than 50 per cent of capacity.

Israel has been anxious to diversify sources of supply and found one last year in Mexico with which it was reported to have concluded a purchase agreement for 1m tons a year. At the same time, it decided to use coal as the source of energy for the big new power station at Hadera, north of Tel Aviv, which is scheduled to start generating in 1980 reaching its full capacity of 1,400 Mw in 1983 and consuming 3.5-4m tons of coal annually. Last month, South Africa announced an import deal whereby it would start supplying 500,000-800,000 tons a year of coal from 1980 for the Hadera station, possibly rising to 1m tons later.

As production from Israel's own indigenous fields to the southwest of Ashkelon have declined to negligible proportions, the search has been intensified for new hydrocarbon resources both on its own and an occupied territory.

To complicate the peace-negotiating process, it is on the latter that three significant finds have been made. Israel has acknowledged the discovery of large gas fields off-shore from Ashkelon at the southern end of the Gaza Strip which was producing 56,000 cubic metres a day by the end of last year, according to Mr. Yitzhak Mordechai, Israel's Minister of Energy.

Oil in commercial quantities is reported to have been struck off-shore at El Arish in Sinai, near which Israel is building its new town of Yamit. Equally controversial in political terms has been the strike in the southern part of Gulf of Suez controlled by Israel of El Tor where one well is expected to be on-stream this month. According to reports in specialist Norwegian petroleum journals, it could make Israel self-sufficient in oil with a yield of 9m tons annually.

The crude itself is delivered by a jointly owned Israeli-Iranian tanker company to the Gulf of Aqaba to Eilat from where it is pumped through the 42-inch line to Ashkelon, which has a capacity of 1m b/d (or about 50m tonnes a year). The older and smaller one dates from pre-independence days and can still feed the Haifa refineries which had to be adapted to take Abu Rudeis crude—a significant proportion

WORLD TRADE NEWS

Japan may buy Airbus to lease out

By Charles Smith

JAPAN IS considering setting up an aircraft leasing company to buy the Airbus A300 centre on Japan's big visible trade surplus with Europe and the European demand for urgent measures to reduce it.

The first round of Japan-EEC talks was held last month when the Japanese Ministry of International Trade and Industry (MITI) told the European Commission that it was ready to buy the Airbus A300 centre on Japan's big visible trade surplus with Europe and the European demand for urgent measures to reduce it.

Several South-East Asian airlines, including companies in the Philippines and Indonesia, are known to have expressed interest in leasing Airbus aircraft. The Japanese Ministry of International Trade and Industry (MITI) is also reported to be interested in leasing Airbus aircraft.

The EEC intends the negotiations to end with the issue of a communication offering dramatic solutions for the trade imbalance. The Japanese Ministry of International Trade and Industry (MITI) is also reported to be interested in leasing Airbus aircraft.

Tourist trade fair grows with power of the mark

By Leslie Collett

AS BEPITS a country whose inhabitants spend more on travel than those of any other country, West Germany is holding the world's largest trade fair, the Berlin exhibition grounds.

The International Tourism Exchange was a modest affair when it was begun as an experiment 12 years ago. But along with the spending power of the Deutschmark it has burgeoned into an important influence on the travel market.

The British Tourist Authority and many regional United Kingdom tourist boards are represented at the fair, which ended this Sunday. Also such prominent British names as Travel Houses and the German travel agency, which is showing the trade its worldwide string of top-category hotels.

Italian shoe exports fall

By Michael Holman, in Lusaka

ITALIAN SHOE exports dropped 1.5 per cent, or 4m. pairs, to 260m. pairs in 1977 from the previous year, the president of the Italian Shoemakers' Association told the annual assembly here.

But 1977 export income amounted to £1,800m, still higher than the previous year's total, as a result of increased prices. Ottorino Bossi, the president, blamed the decline of Italian exports on growing competition from developing countries and the fixed quotas on shoe imports by some industrialised countries.

EAST AFRICA TRADE

Tanzania's bottleneck

By Michael Holman, in Lusaka

LANDLOCKED Zambia faces her most serious transport difficulties since the Rhodesian border closure in 1973, according to shipping agents here. A mounting backlog of cargo at the Tanzanian port of Dar es Salaam, which now handles nine tenths of Zambia's trade, is caused by a shortage of wagons and locomotives on the Tanzania-Zambia Railway (Tazara) as well as shortage of vehicles on the road between the two countries and handling inadequacies at the port.

Goods held up include wheat, fertilisers and coke for the Zambian copperbelt. Representatives of the East Africa and European Conference lines visited the port last week and described the congestion as "appalling". The backlog of Zambian imports has risen from 70,000 tonnes in mid-November to 90,000 tonnes today despite efforts by the two governments to shift it.

The lines imposed a 10 per cent surcharge in November but a further increase is ruled out, at least in the short term. The position is further complicated by delays in payments to port operators and agents because of Zambia's acute foreign exchange shortage. One source estimates that about £7m. is outstanding.

Freight officials believe that more than half Tazara's 1,200-4,400 wagons are under repair. Efforts to supplement the stock from Zambia Railways face difficulties since more than 15 per cent of its locomotives are at a standstill because of a shortage of heavy lubricating oil. Turnround in Zambia of serviceable wagons is at least 30 days, compared to the 15 days on which the line's capacity was originally assessed.

TOKYO, March 7.

The risks of leasing aircraft to South-East Asian airlines, which presumably lack the resources to buy the aircraft outright, are acknowledged to be great but MOF is apparently taking the line that this can be tolerated if the leasing operation is regarded as a form of aid to the countries concerned.

Airbus Industrie (the European consortium that makes the A300) has appointed a vice-president with full-time responsibility for sales to Japan. The man concerned, Mr. John B. Coguard, arrived in Tokyo early this week for a four-week stay.

The cost of one Airbus to Japan is estimated at \$28m. to \$30m. (plus an additional \$10m. or so for spares). An order for 15 aircraft might therefore be worth \$450m. to \$500m.

Smelters promised help

By Our Own Correspondent

TOKYO, March 7.

THE JOINT Brazilian-Japanese aluminium project should be pushed ahead according to the initial schedule as a big long-range national project. Mr. Toshio Komoto, Minister for International Trade and Industry (MITI) said today.

The Government's promise to provide aid if needed was given to Mr. Toshio Doko, President of the Federation of Economic Organizations (Keidanren) and the representative of aluminium smelters in reply to their appeal for government help for the projects. Mr. Doko had informed any necessary aid.

Argentine fishing experiment

By Robert Lindley

BUENOS AIRES, March 7.

THE ARGENTINIAN Economics Minister, Mr. José Martínez de Hoz, has signed a "general agreement" here with a Japanese group under which the group will fish experimentally off the Argentine coast south of the 40th parallel for a year.

The Japanese group, comprising Nippon Suisan Kabushiki Kaisha, Taiyo Gyogyo Kabushiki Kaisha, Kabushiki Kaisha Kyo, Kaisha and Nichiro Ryogyo Kabushiki Kaisha, and a West German group, won the competition for international bids offered by the Argentine Government in July.

The Argentine Government and the West German group are in the process of reaching a general agreement. As a result of the agreement Argentina is expected to expand its yearly fishing catch by three to 340,000 tons, a record.

The agreement with the West German group, like that with the Japanese group, will provide for an annual catch of up to 100,000 tons. In the agreement with the Japanese, Argentina will receive half the profits, and three-quarters of the catch must be hake. In exchange, the Japanese group will investigate Argentina's fishing reserve and grant Argentina \$8m. credit for an oceanographic vessel from Japan.

The agreement with the West German group likewise will provide for building an oceanographic vessel for Argentina.

Indian materials pay for Soviet technology

By K. K. Sharma

NEW DELHI, March 7.

ECONOMIC DEALS worth around Rs.10bn. (£600m.) are expected to materialise between Russia and India after the signing of a protocol here covering many fields, particularly steel, non-ferrous metals, oil exploration and science and technology.

The most important is steel. Russia has agreed to supply modern technology to the Bhilai plant, raising its capacity from 4m. tonnes to 5m. with nominal additional investment.

More significantly, Russia has committed itself to helping to raise the capacity of the Bokaro plant from 1.7m. tonnes to 4m. tonnes.

Russia also agreed to set up a blast furnace at Vishakapatnam produced.

Sao Paulo sanitation project

By Sue Branford

SAO PAULO, March 7.

THE LARGEST loan ever granted to Brazil for a sanitation programme will be signed tomorrow. The loan from the World Bank is for \$110m., with a three-year grace period and an interest rate of 7.45 per cent per annum.

It will be used by Sabesp, the Sao Paulo state Government sanitation company, to help finance Sanegram, an enormous sewerage project, with a total planned investment of \$1.5bn. As the first stage of this project, Sabesp will lay down 3,287 kms. of sewerage piping and build three sewage treatment plants in greater Sao Paulo. Barueri, the largest of the plants, will eventually be treating 63 cubic metres for sewage per second, which will make it the largest plant in the world.

International tenders will be held shortly for pumps and sewage treatment equipment for the plants.

Reinaldo de Barros, president of Sabesp, commented: "We are really very backward in sanitation questions, because only 39 per cent of greater Sao Paulo's sewage is collected and, of this, only 5 per cent is treated." This means that nearly all of the city's sewage is deposited, untreated, into the heavily-polluted rivers.

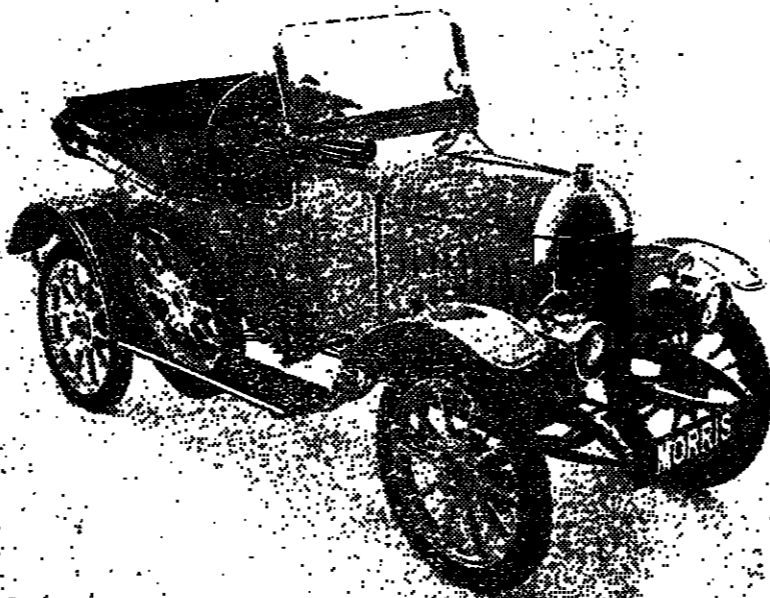
The president added: "When the first stage of the programme is completed in 1983, we should be collecting 55 per cent of the sewage and treating 45 per cent of this."

Fraser hits at EEC again

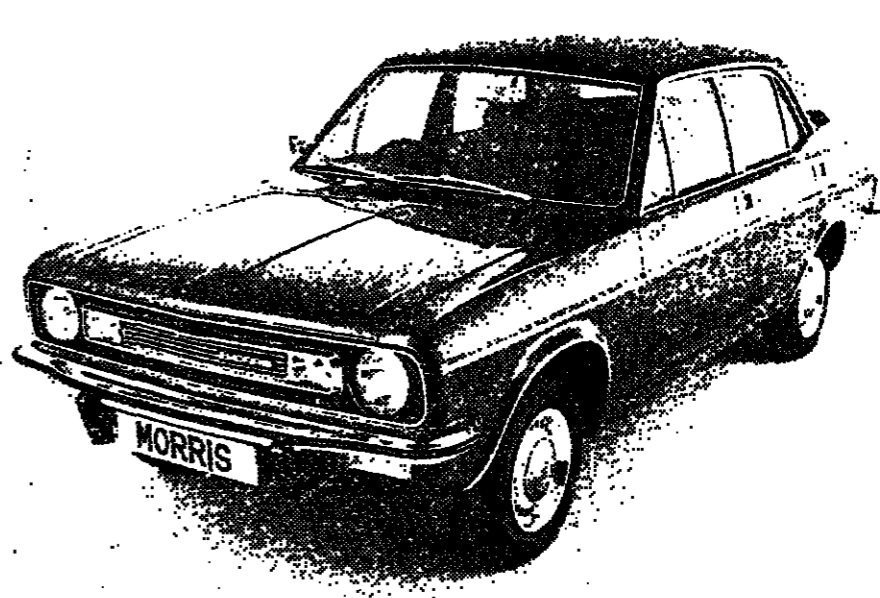
CANBERRA, March 7.

AUSTRALIA'S Prime Minister trade barriers erected by the EEC, Japan and North America. "What we do seek is a fairer deal in treatment of our exports."

He accused the West's major industrial nations of manipulating or ignoring international rules for trade by building special trade barriers in protection of their high cost agricultural sectors. Australia's agricultural exports were subject to restrictions such as variable levies, quantitative restrictions and critical in the last few months of Reuter.



1913 Morris Bullnose: £175



1978 Morris Marina: £3077.10

We haven't lost our sense of values.

You still have until March 31st to join the Morris Centennial Celebration at your local Morris showroom. Call in and you'll discover 3 very rewarding facts.

1. Morris means value.

In 1913, the first production Morris (above) cost just £175. The 1978 equivalent of that £175 is now £3022.* Yet the 1978 13-car range of Morris Marina saloons, coupes and estates starts at only £2537.73.

Plainly, the Morris tradition of offering economical, reliable, uncomplicated, successful cars at very affordable prices is very much alive.

2. Win your new Marina for just £175.

Every week from now until March 31st in this Centennial Year, a new Marina buyer can win his new car at the 1913 Bullnose price of £175, plus a handsome pair of hand-engraved Nuffield Centenary glass goblets.

3. Win a vintage Morris or £3022 cash.

Not everyone is about to buy a new Marina. But even if you're not, call at your Morris showroom before March 31st and pick up an entry form. You can enter the Competition; but for a different prize.

You could win a real, roadworthy vintage Morris car or the current price equivalent of a 1913 Bullnose - £3022 in cash.

There are over 2000 Morris showrooms throughout the country. Call at your nearest before March 31st. It's the only place in town which will be improving on the Morris sense of value.



Morris Marina. We haven't lost our sense of values.

*Mid-September 1977 equivalent of £175, calculated from various series of retail price indices. Marina prices from £2537.73. Prices include car tax, VAT and front seat belts. Number plates and delivery extra.

HOME NEWS

Windscale report may go to U.S.

BY DAVID FISLOCK, SCIENCE EDITOR

THE GOVERNMENT is likely to emphasise the implications for the foreign policy of Mr. Justice Parker's report on the Windscale inquiry when MPs debate the report this month.

It is understood the report could become part of the Government's contribution to the international nuclear fuel cycle evaluation. This is the international exercise set up last autumn by President Carter to search for routes to nuclear energy which hold less risk of leading to nuclear explosives.

The Windscale inquiry was set up by the Government to examine the planning application of British Nuclear Fuels for a \$600m. reprocessing plant.

Judge Parker's report, published on Monday, is strongly in favour of building a reprocessing plant for spent nuclear fuel at Windscale and of Britain's undertaking reprocessing contracts for foreign customers.

These customers will need the permission of the U.S. Government to send their spent fuel to Britain for reprocessing because of the terms under which the U.S. originally supplied the fuel.

The report argues—for the first time and cogently—that reprocessing of spent nuclear fuel is necessary for environmental reasons, and dismisses allegations that the proposed plant will increase the dangers of nuclear proliferation.

This is in sharp contradiction with the Flowers report of the Royal Commission on environmental pollution 18 months ago, which raised sufficient doubts about the worldwide environmental consequences of reprocessing—especially proliferation—for opponents at the Windscale inquiry to focus heavily on these risks.

Spare capacity

The Flowers report adopted the phrase "plutonium economy" to describe how Britain would be re-using plutonium separated by reprocessing as fuel for a new generation of nuclear reactors.

Judge Parker rejects the use of the phrase as "emotive and inaccurate." He concludes that the amounts of spent fuel arising from nuclear stations make it necessary for someone to provide adequate and reliable reprocessing facilities with spare capacity, "and that the obvious locations for such facilities are in one or more of the present nuclear weapon States."

The U.S. Government declared a moratorium last spring on all commercial reprocessing of spent fuel. Only the French Government has approved the signing of new reprocessing contracts for overseas customers.

Goodyear scraps 400 jobs to cut costs

BY MICHAEL CASSELL

GOODYEAR Tyre and Rubber will cut the workforce at its Wolverhampton plant by as much as 400.

The U.S.-owned company has reported a post-tax loss of £462,000 during 1977 on sales of £187.6m. In 1976 it achieved post-tax profits of £273,000 on sales of £159m.

Like its competitors, the company has been experiencing difficult market conditions. It said yesterday it hoped the cuts in Wolverhampton, where it employs about 5,500, would be carried out on "a purely voluntary basis."

Goodyear is discussing various cost-saving programmes with union officials. Apart from waste reduction and product improvement schemes, which have already started, the programme will also include manpower savings.

Managers insisted on their right to be "actively involved" in determining a set of nationally agreed economic measures.

Several delegates called for full consultation with Government and the motion was passed with only one vote against.

Delegates were divided in a lengthy debate on education and industrial needs. The motion called on the British Institute of Management to restate its education and training policies and to improve management skills.

Proposing the motion, Mr. Harold Hughes, from the Institute's Cardiff branch, spoke of concern about school and college leavers having insufficient knowledge of the three Rs. "They get inadequate career guidance, and are ill-prepared for the world of work."

Mr. Anthony Capper, from the Institute's Bristol section, told the convention that tours round factories did not help students understand industry and management.

"We must make schools realise that they have to turn out more students in disciplines that will create wealth, because if they do not, there may not be any future generations of students to carry out their fine traditions."

The third motion called on the Government to "cease legislating on matters directly affecting industry and commerce for a sufficient period to allow the plethora of recent legislation to be absorbed."

Most managers agreed that they felt swamped by legislation, but Mr. Richard Stokes, criticised the motion on three grounds.

"It is unrealistic, it is insular and it is negative," he told delegates.

By a large majority, the convention voted to recognise managers' concern at the mass of legislation and called on it to consult managers more fully in the future.

The convention voted unanimously for the motion with the addition of Mr. Parker's call for co-ordination between management and education.

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BRITISH INSTITUTE OF MANAGEMENT CONVENTION

Call for more involvement

BY JASON CRISP

THE British Institute of Management yesterday called on the Government to involve managers actively in agreeing a set of economic objectives.

Nearly 1,000 managers attending the Institute's second national convention at the Wembley conference centre also called for urgent action to co-ordinate education and management and to minimise legislation in commerce and industry.

Mr. Terry Beckett, chairman and managing director of Ford, told delegates: "The responsibility for setting this country economically and industrially effective rests to an almost exclusive extent on its managers. That is us. Only to a limited extent does it really depend on government."

Most speeches took up this theme of the managers' role in the economy.

Unless Britain produced "a better mousetrap than our overseas competitors, no amount of lame duckery, protectionism, employment generation plans and so on will stop this country from becoming an industrial museum, with our only income derived from admission fees from people abroad who want to see how not to do it," Mr. Beckett said.

Only managers could improve the effectiveness and competitive edge of industry.

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Delegates to the British Institute of Management conference at Wembley, North London, on their way to their special train from Marylebone. Left to right are: Mr. Peter Parker, British Rail chairman; Mr. Roy Close, Institute director general; Sir Derek Ezra, chairman of the Institute; Mr. Trevor Holdsworth, deputy chairman and managing director of the GKN Group; Mr. Bernard Cotton, chairman of the Institute's convention committee; and Mr. Terry Beckett, chairman of Ford U.K.

Mr. Parker, called for an urgent step to set out the relevant priorities of co-ordination between industry and education. "One is the problem of the quantity and quality of the entrants, and the other is the pattern and quality of studies."

"It seems to me that BIM is saying it has a responsibility—indeed we claim it and welcome it—for the prosperity of Britain, and that means we have a responsibility to concern ourselves with the supply of future managers."

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Wytch oil £30m. a year forecast

BY RAY DAFTER

THE WYTCH FARM oil field, near Coate Castle, Dorset, is expected to produce crude oil worth at least £30m. annually for the next 30 years. The output could be substantially higher if tests to be carried out by British Gas prove successful.

The importance of the discovery was emphasised yesterday by Dr. John Cunningham, Parliamentary Under-Secretary for Energy, during a visit to Wytch Farm. Park reserves might be capable of producing as much oil as some of the medium-sized fields in the North Sea, he said, though industry estimates suggest that it might be equated more accurately to the smaller commercial field like Argyll and Auk.

The field, discovered by British Gas working in partnership with British Petroleum, should start producing oil commercially in the summer of 1979. Exploration drilling indicates a peak production rate of about 4,000 barrels a day, but in December a new well found a separate, lower structure which should substantially boost output.

Dr. Dickson Mabon, Minister of State for Energy, told members of the Oil Industries Club in London yesterday that further £5.5bn. needed to be spent on completing the development of the first 17 oil and gas fields in the North Sea. About 67bn. had been spent on these fields between 1965 and the end of last year.

"For all our present healthy supplies of oil, a natural gas, the time is not far away when production of these fuels will decline," said Mr. Alex Eadie, Parliamentary Under-Secretary of State for Energy, yesterday. He argued during a visit to the Snowdown Colliery in Kent that Britain will need a strong, efficient and modern coal industry "for a far ahead as the eye can see."

Eaton Axles revives £1.7m. plan

Plans for investments of £1.7m. in the North-East of the U.S.-owned company, Eaton Axles, shelved during a prolonged industrial dispute last year, have been revived. Work has begun on two projects.

A £1m. plant to build components will be completed by this autumn at Cramlington, north of Newcastle-upon-Tyne. The project will provide between 40 and 50 jobs initially, and this could be increased.

At the Aycliffe, Co. Durham heavy duty axle plant, where some of the Cramlington components will be used, a £750,000 extension should be completed by September.

Vauxhall order. Vauxhall has landed its biggest order from the Godfrey Davis car hire business with a deal to supply the London-based company with Chevettes and Cavaliers worth £3m. by the end of May.

Advertising lobby. The Advertising Association is to mount a determined lobby against the EEC's proposed directive requiring member States to adopt "adequate and effective laws" against misleading and unfair advertising. The U.K.'s own system of self-regulation, backed by 60 statutes—is far more effective, the association says.

Jobs for Wales. THE Rural Wales Development Board yesterday announced an outline programme for creating 5,000-6,000 new jobs in mid-Wales over the next five years.

Cheaper mortgages could push up price of homes

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE GOVERNMENT'S efforts to reduce lending by building societies would increase the rate of house price inflation rather than reduce it, Mr. Hugh Ross, the Conservative spokesman on housing, claimed yesterday.

Mr. Ross said that in trying to restrict the supply of mortgage finance, the Government was acting "in an incredibly short-sighted manner." He said that there was now a large backlog of unsatisfied demand for private housing and rationing of loans would only make the situation worse.

He added: "The key is to increase the supply of houses and make money available so that house builders will know there will be a continuous demand for their new houses."

The present policy will reduce supply in relation to demand.

Mr. Markham said the move would cause a further dramatic increase in house prices. "The market," he said, "should not be interfered with and the Government's action would simply store up problems for the future."

A reduction now in mortgage supply may have a short-term effect on reducing house prices which in any case will not be seen for some months and holds dangers of a further panic rush to buy now, thus pushing prices up further. Viewed long-term, it will only create more pent-up demands and set off another house price explosion when restraints are lifted.

Mr. Ross's criticisms were echoed yesterday by Mr. Julian Markham, president of the Incorporated Society of Valuers and Auctioneers, who said the Government's action could have a "catastrophic effect" on the housing market.

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William Press shares to be re-quoted to-day

BY JOHN MOORE

SHARES of William Press, which were suspended on Monday at 1p at the company's request following a search of the group's offices by 140 Inland Revenue officials, are to be re-quoted to-day on the Stock Exchange.

Press is making the move to ensure that no further damage is done to the goodwill and reputation of the company, and to maintain "the long-standing confidence" of employees, clients and suppliers.

Although the Inland Revenue took away van-loads of documents on Monday, the group said yesterday: "So far as we are presently aware, there is nothing to indicate that the company will not be able to carry on its business in the normal way."

The group added that full year's results will be announced at the usual time towards the end of May. Press confirmed last night that the audit for the year ending December 31 had not been held up by the seizure of company documents and files.

Cranes on move

THE BRITISH Transport Docks Board has approved a £240,000 scheme to provide increased crane facilities at Swansea Docks. Three cranes are to be moved from Garston Dock, Merseyside, to King's Dock, Swansea, to provide greater lifting capacity.

It is expected that the savings, which will affect a minimum of 300 jobs, will principally involve employees reaching retirement and some short-service workers.

Union officials representing workers at the plant said they expected to have talks with the management in an effort to persuade them against the employment reductions. Mr. Brian Mathers, regional secretary for the Transport and General Workers Union, described the company's decision as a "body blow" for an area where unemployment was already high.

Tyre makers have been hit by the stagnation of the U.K. car industry. Production in the last three years has been running at about 1.3m. passenger cars a year, about 500,000 below the peak output of nearly 2m. units in 1972.

The original equipment tyre market has also been affected by the success of imported cars, which account for 45-50 per cent. of U.K. sales.

Supermarket's trolley thieves

A SUPERMARKET introduced a £1 deposit for shopping trolleys yesterday in a bid to stop them disappearing on busy late-night shopping days. Over 200 vanished in one evening from outside the Sainsbury store at Bretton, near Peterborough, where the annual maintenance bill for their fleet of 600 trolleys has been put at £12,000.

Lotteries given tax warning

Financial Times Reporter

INSTANT LOTTERIES run on behalf of some charities could be liable to extra taxation unless it is clear how much the charity will gain.

The Inland Revenue is believed to have advised the Tate Gallery, which plans to run a lottery organised by Cadogan, part of the Ladbroke Group, that tickets should include the amount going to the charity, otherwise the charity might be liable to have the lottery income taxed as company profit. Instant lotteries involve having a number and being given an on-the-spot result.

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WOMEN & Promotion

Equal Opportunity is not a matter of opinion—it's the law

Most people would agree that it is only fair that men and women of equal ability should have equal opportunities for promotion.

The Sex Discrimination Act makes it law. In matters of employment it is unlawful under the Sex Discrimination Act to discriminate against a woman or a man on the grounds of either sex or marriage.

You must remember this when considering candidates for promotion. We realise the law is complex. So to help you, we've written two booklets:

Equal Opportunities—A Guide for Employers
The employment provisions of the Act explained in straightforward language.

Equal Opportunity Policies and Practices in Employment
Practical advice on implementing the Act

HOME NEWS

Wytch £30m. Top Fisons changes a year to boost U.S. sales forecast

BY KEVIN DONE, CHEMICALS CORRESPONDENT

FIONS HAS started a series of management changes in the U.K. and overseas operations in an attempt to strengthen its U.S. activities and get the benefit of further developments of its leading drug division, Intal, before the primary contract expires in 1982.

Mr. Tony Allen, managing director of Fisons' pharmaceutical division, is to become the main Board director for the company's business in North America.

Fisons' sales in the U.S. are more than 4 per cent of group turnover, a disappointing performance as the U.S. has been the company's biggest single area of expenditure in recent years, totalling some \$20m.

North American sales last year were some \$20m, with profits of about \$5m, compared with the U.S. of \$283.3m, with pre-tax profits of \$21.2m.

The appointment of Mr. Allen as an independent, though related, director by Fisons for the U.S. is a world's biggest pharmaceutical market.

The president of Fisons' U.S. division, Mr. Ian King, is leaving the group to join a subsidiary of the U.S. operations from his base in Toronto, Canada, while Mr. Paul Jodkowski, who continues as chairman of the North American companies, has been based in a U.K.

Mr. Allen (41), a Rhodesian, joined the company in 1969 and became managing director of the pharmaceutical division in 1975. His priority will be to lead a successful way of promoting Intal, Fisons' anti-asthmatic drug. Sales in the U.S. have been a long-standing cause of dissatisfaction for the company, which has in the past blamed its marketing partner, Syntex, the S. pharmaceutical group.

Last year it agreed to buy its



Mr. Tony Allen: Bid for recovery of U.S. sales.

way out of the agreement with Syntex for \$5m, in compensation, so U.S. drug marketing is now entirely under Fisons' control.

Fisons has avoided the route taken by most European chemical and pharmaceutical companies which have entered the U.S. market by acquisition, and has suffered the consequences of slow, difficult growth.

In pharmaceuticals it chose to buy a range of other products to support the sales of Intal and its derivatives, rather than to move for company acquisition.

But perhaps most importantly, it acquired a 400-acre site at Muskegon, on the shores of Lake Michigan. So far only a small parcel of land has been used here for building a pesticide plant.

This unit produces Ficam, a public health insecticide for use against cockroaches and other crawling insects, and the company is trying to develop it for agricultural applications.

The other market to be developed in the U.S. is for Nortron, a sugar beet herbicide, for which Fisons expects to receive final clearance from the U.S. Environmental Protection Agency next month. A formulation plant for this agrochemical could also be built at Muskegon.

Mr. Ron Bounds, chief executive of Fisons, said yesterday that the company was looking first to multiply several times over its U.S. turnover. "It will be a big, slow build-up, but profits will come," he said.

In other moves, Mr. Joe Valentine, chairman of the scientific equipment division, is to become chairman of the pharmaceutical division, and will be replaced by Mr. Jack Heath. Mr. H. Blackmore, currently head of Fisons' Australian subsidiary, will become managing director of the pharmaceutical division.

In the U.K. Fisons has stopped moves by Gallenkamp, the scientific equipment company acquired last year, to centralise its operations at Northampton. Its main factories are now in London.

Appointments Page 23

Medical college appeal

By David Fishlock, Science Editor

A PUBLIC appeal to raise £750,000—the balance of £2m. required to establish a new post-graduate medical college at Oxford—was launched yesterday by Sir Richard Doll, Regius Professor of Medicine at Oxford University.

Sir Richard, the scientist whose research established the link between cigarette smoking and lung disease, is to be the first warden of the new college.

Dr. Cecil H. Green, the British-born electrical engineer who founded and subsequently became chairman of Texas Instruments, has donated £1m. towards the college, named Green College.

The Cephalosporin Trust, whose funds derive from research into antibiotics, at Oxford, has provided a further £100,000.

Building began on the college two months ago, on a 3.5-acre site.

The college will open in the autumn of 1979, and has been planned for about 300 students and 25 post-graduate researchers. It will also offer 50 fellowships, for limited periods, to the nominees of industrial companies.

Sir Richard said the aims of the college were to improve Oxford's clinical education, to foster research, and to help the liaison between doctors and industry.

Clothing industry set £1bn. exports target

BY RHYS DAVID, TEXTILES CORRESPONDENT

BRITAIN'S clothing industry has been set a target of increasing its exports by 150 per cent. between 1975 and 1980 to a new total of £1bn., as its contribution to the Government's industrial strategy exercise.

The Clothing Economic Development Committee, in a report published yesterday, is also urging the industry to work towards holding present levels of import penetration at no more than the 25 per cent. share of the home market taken in 1976.

If these two objectives can be achieved, the committee claims it will imply an acceleration in the rate of growth of output from 3 per cent. a year to 4 per cent. an acceleration in the growth of productivity by about one half per cent. per year, and the prospect of about 8,000 more jobs than might have occurred on past trends.

Stability

The report says that the industry is now in a position, because of its low labour costs by European standards, to become the leading European clothing manufacturing industry. It is also able to operate against a background of greater stability following the recent negotiation of the second round of the Multi-Fibre Arrangement which will place new controls on imports into the EEC of textile and clothing products.

The industry, which had a turnover in 1975 of about £1.5bn. still has a number of important problems to sort out. In particular its very low average level of productivity relative to potential, low wage levels and declining employment, low levels of investment, a shortage of in-fact occur.

In a separate report yesterday the committee published details of a study by management consultants into ways in which a group of companies in the industry have managed to increase sales and profits at a much faster rate than the average for the sector as a whole.

Design

The study indicates the importance of greater attention by manufacturers to design and creativity, greater innovation in specialised areas, and maintenance of agreed delivery dates.

Implementation of these three recommendations say the committee could, when combined with the natural advantage of a home location, enable U.K. manufacturers to offer superior value to the retail industry and enable it to turn away from imports.

The committee warns, however, that although the industry has been making progress there remains the need for a long-term commitment to exporting. A sharp reflation of the home

Nuclear safety service

By David Churchill

A NEW safety inspection service for nuclear reactors was launched yesterday by the British Steel Corporation and the U.K. Atomic Energy Authority.

The service will concentrate mainly on light water nuclear reactors in Europe and the Middle East, although the technology and expertise involved could be used in other nuclear plants, such as the proposed Windscale reprocessing plant.

British Steel estimates that the European market for reactor inspection is worth about £10m. a year because of new stringent safety demands. But, because of nationalism among European reactor users it expects to gain only a fifth of this market.

A subsidiary of British Steel, the Unit Inspection Company, is to handle the new service. It will operate under licence from the Atomic Energy Authority and will adopt equipment and techniques developed by the authority's reactor plant inspection service. Although the U.K. has no light water nuclear reactors, the authority has built up considerable knowledge in checking their safety and it was to take advantage of this that the new joint venture was formed.

Lankro and BP in foam project

BP CHEMICALS and Lankro foundry and fibrous insulation chemicals have agreed a joint programme for developing, manufacturing and marketing insulating foams.

The project stems from several years of research in the U.K. by Lankro Chemicals, which was taken over last year by Diamond Shamrock, the U.S. chemicals, oil and gas conglomerate, and now forms the major part of the group's subsidiary Diamond Shamrock Europe.

Work has centred on the use of resins and systems for phenol-formaldehyde foams. Lankro's foams are stronger than previously available materials and have significantly improved fire-retardant qualities compared with foamed polyurethane and polystyrene.

Interest in phenol-formaldehyde foams has been stimulated by demand for insulating materials with better flame-retardant properties.

The manufacturers say foams do not melt or give off burning fumes when exposed to flame.

The two companies will hold out a quarter of the West European market for the new foams. They hope the venture will enable them to compete effectively with other major producers such as the Swiss company Ciba Geigy.

BP Chemicals is the U.K.'s largest producer of phenolic resins, but has previously concentrated on friction material—such as brake pads—laminates, new legislation world-wide.

Go Hertz No.1

TOUCH DOWN TAKE OFF

Estimates show 31½% fall in cigarette smoking

FINANCIAL TIMES REPORTER

BRITONS smoked 125.9bn. cigarettes last year, 31 per cent. fewer than in 1976, according to the tobacco industry's estimates.

The estimates, based on figures reported by the tobacco industry, also showed that there was a net reduction last year in the level of distributors' stocks of cigarettes, compared with an increase in 1976.

"Thus, while it is estimated that public consumption of

cigarettes fell by 31 per cent. in 1977, domestic manufacturers' supplies to the wholesale and retail trade were down by almost 6 per cent.," says the committee.

Last year there was a further slight switch to filter cigarettes, at 113.4bn. now accounting for 90 per cent. of cigarette smoking.

Consumption of tobacco for pipes and hand-rolling declined by 1 per cent. and 2 per cent. respectively.

Cigar smoking fell by 1 per cent. to 1.57m.

Church's investment funds rise by £30m.

THE VALUE of Church of England funds managed by the central Board's investment office rose by £30.2m. to £112.2m. in the year to November, 1977, says a report by the Central Board of Finance.

Three main factors in the 30.2m. increase were: the recovery in the U.K. securities markets, the formation of a new and specialised fund in the U.K. and debentures, and a substantial expansion in the use made by Church trustees of the deposit fund.

The office's deposit fund's total current deposits averaged about 43m. during the year and earned almost £5m. "If this sum had been invested at 31 per cent. per annum—the average rate avail-

Reports award won by Boots

BOOTS, THE CHEMIST, has won the second annual award for employee reports presented by Accountancy Age and the Industrial Society.

This year's competition, organised by the magazine for reports produced last year, attracted a record entry of just under 300 from U.K. companies, both public and private.

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PARLIAMENT AND POLITICS

Fishing safety rules stressed

SCOTTISH MPs yesterday urged the Scottish fishing industry to reconsider its attitude to the reporting of boats' positions following the loss of the MV Enterprise off Lerwick at the beginning of the month.

The Enterprise was reported missing on February 28 although its last radio message was on February 23. The search started at first light on March 1 and was called off the following day after nothing was found.

Mr. Stanley Clinton Davis, Trade Under-Secretary, said in a Commons statement yesterday that there had been a reluctance on the part of fishermen to disclose their fishing whereabouts.

Mr. Clinton Davis said the Scottish Fishermen's Federation had reviewed reporting arrangements last June and the coastguards had tried to enforce it voluntarily. He described the fishermen's reluctance as unwise.

A modified system had been introduced where a boat was in difficulty or danger.

Mr. Douglas Henderson (SNP, Aberdeen E.) who had asked for the statement, said the Government should invite the industry to reconsider the system so that every precaution was taken to ensure coastguards knew where boats were at all times.

Mr. Teddy Taylor, Shadow Scottish Secretary, said there should be a system which would use every possible step to minimise the dangers. There should be discussions with the industry and the Post Office about an acceptable form of position reporting.

Mr. Clinton Davis said it could not be applied only to Scotland. There was an essential need to use the fishing industry safety rules the Government had introduced. Regrettably they had met with considerable opposition.

He hoped the fishing industry safety group would consider the matter at its meeting in May.

Mr. Norman Buchan (Lab., W. Renfrewshire) said safety must be the first priority of the fishermen.

Mr. Clinton Davis said the anxieties raised by such tragedies seemed unhappily to be dispelled by time. He hoped the lessons would be learned.

Mr. Hamish Watt (SNP, Banffshire) said there was an undue length of time before the search started. Fishing boats should have to report their position at least once every 24 hours.

Mr. Clinton Davis said he did not accept the criticism of the rescue services. The owners of the vessel had not reported any anxiety for a considerable time.

If the Department of Trade recommendations had been applied it would have been reported to the coastguards very much earlier.

Mr. J. J. Knight (C. Edgobaston) pointed out that the biggest increase in losses was due to official error. She added: "It is the impossible complexity of the benefit system which is contributing to these errors."

Mr. Orme said there were 100m. Giro payments of short-term benefits a year and 900m. longer-term benefit payments. But he admitted that the error was not staff accounted to slightly more than £3m.

Mr. David Stoddart (Lab., Swindon) criticised the Tories who, he said, only raised questions about social security fraud.

THE Health Department is making good progress in phasing out of the beds from the National Health Services, Mr. David Ennals, Social Services Secretary, said in the Commons yesterday.

Mr. Ennals said the House was now in a position to consider the question of the post system a major and very serious blamish. It meant that the Liberal Party might poll millions of votes and yet secure no seats.

Opening the debate, Lord Harris of Greenwich, Minister of State, Home Office, said that the Liberal Party was likely to be the new target date for the elections.

The Government, he told peers, believed that the regional list system was the simplest and most effective form of proportional representation under the circumstances, but that view had been rejected in the Commons.

"The nature of the rejection suggests that there is no realistic prospect of persuading the House of Commons to change their minds in this issue. We must now accept the simple majority system and proceed on that basis," he said.

For the Conservatives, Baroness Elles said that if the election were to take place in 1978 all procedures must be completed by this November, including consideration of the Boundaries Commission report.

It is essential to get the Bill on the Statute Book as soon as possible.

The only way to ensure that was to leave it substantially as it was. "The method of voting is of less importance than the time factor."

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PM expects improved economic growth

BY IVOR OWEN, PARLIAMENTARY STAFF

BRITAIN'S success in combating inflation should now be followed by an improvement in economic growth, the Prime Minister suggested in the Commons yesterday when the Government's industrial strategy was scathingly condemned by Mrs. Margaret Thatcher, the Opposition leader.

Amid Tory cheers, she described it as "pie in the sky to-morrow and appalling performance to-day."

Mrs. Thatcher recalled with heavy irony that in 1976, which the Government had claimed would be the year of the "economic miracle," the growth rate for manufacturing industry had been set at an annual average rate over four years of 8 per cent.

"What is your target now for next year since that has not yet been revised?" she demanded.

Mr. Callaghan said he did not remember the 8 per cent figure. He told Tory MPs who criticised him for this that he could not be expected to attend the House charged with every figure which the "gang of four"—the group of Tory backbenchers reported to assist Mrs. Thatcher in her preparations for the twice-weekly Prime Minister's question time—fed to her.

But he conceded that the efforts to overcome inflation combined with the problems arising from the oil-producing countries had created a situation in which it had not been possible for the economy to grow.

Now that inflation had been "broadly overcome" it was possible to look forward to an improvement in the position.

Replying to interjections from the Tory benches, the Prime Minister emphasised the "broadly" and added that he hoped that the Chancellor (Mr. Healey) would be able to provide more information about the prospects for growth in next month's Budget.

Mrs. Thatcher claimed that the trouble was not with the "gang of four" mentioned by Mr. Callaghan but the "gang of one" at the Treasury.

She called for a new approach to industrial strategy based on incentives, instead of high taxation and no incentives for the individual.

Replying to Mr. Andrew Welsh (SNP, South Angus), the Prime Minister stated: "I think there is a period of expansion ahead for British agriculture at the present time."

He also welcomed the assurances given by the Japanese on the limitation of exports of vehicles to the U.K. in 1978.

Commenting on the opportunity which would be provided by the Japanese agreeing to take a lower market share this year, the Prime Minister said: "If our own production can increase, we can fill that gap very easily."

Mr. Nigel Forman (C., Carlisle) pressed him to resist any calls for a return to protectionism. This would not be in the interests of British consumers and if attempted through the EEC might well lead to retaliatory action by the U.S. with damaging consequences for Britain's prospects for an economic recovery.

The Prime Minister acknowledged the dangers. Since the war, Britain had followed the path of attempting lower trade barriers. Now it seemed that the tide might be setting in the other way because of the growth of unemployment throughout the Western world.

If the war to happen it would be a "very serious and significant reversal."

But Mr. Callaghan again underlined the justification for "selective action" in appropriate cases. He admitted to some sympathy with the complaints made by the U.S. about the policy of the EEC in relation to agricultural products.

There were renewed protests from both sides of the House that the Government's position on the Bill was preventing full debate of important issues.

Sir Bernard Gower (C., Barry) complained that the House had not reached the clause which enables the Assembly to review the structure of local Government in Wales.

He said: "Constitutional changes of this kind should not be dealt with in this manner. It is inconsistent with democratic discussion and is stifling debate on a most important point."

THE PARLIAMENTARY All-Party Pensions Group, which has criticised what it sees as an unfair anomaly in the Government's new pensions scheme which starts next month.

This anomaly relates to people who retire after April this year but before April 1979. Under the new State scheme, they will pay the increased National Insurance contributions, if they are not contracted-out, but will not receive any additional State pension.

The new scheme is geared to make increases on an annual basis, up to the end of the tax year.

The group is tabling an early day motion which seeks to remove this anomaly either by refunding the additional contributions by exempting people due to retire during the coming tax year.

Mr. Arthur Latham (Lab., Paddington), joint chairman of the group, said it was never the intention of Parliament to impose higher contributions for no extra benefit and it was the sad story of a computer dictating policies.

Age Concern, which is supporting the motion, estimated that about 300,000 people would be involved. In some cases they could be paying up to £175 a week in higher National Insurance contributions without any increase in pensions. It considered it quite feasible for the Government to take action.

The motion would be in contrast to the statement made by Mr. Stanley Orme, Minister for Social Security, at a recent Government pensions teach-in. He then admitted this anomaly but said that this rough justice was the price to be paid for bringing in a scheme that was administratively workable.

The Department of Health and Social Security said it refunds citizens of the other member States were held back by many voting. It would mean further loss of respect and consequent bargaining power in the Community.

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Time to put the record straight

To: Rt. Hon. Edmund Dell, M.P., Secretary of State for Trade.

Mr. Dell, we are representatives of family Datsun garage businesses all over the country, in which we have invested everything we own and which employ around 18,000 British people.

We are speaking out now, Mr. Dell, because our livelihood, the jobs of our employees, and those of many thousands of other workers employed producing components and spare parts for us are threatened by the long and persistent campaign against car imports from Japan.

Many statements have been made with incorrect "facts" and assumptions that make the Japanese appear responsible for all the troubles of the British motor industry and, indeed, of our economy.

We wonder in fact whether this campaign against Japan really has the interests of the British economy or British Leyland at heart, or is of help in furthering British exports to Japan.

We understand the concern about the huge investment of public money in British Leyland, but we cannot see how their problems, which started long before the first Japanese car was imported, will be helped more by attacking Japanese car imports than other car imports, which are more than three times greater.

Whether the Japanese share is 10% of the U.K. market for which you are fighting or remains at 10.6% or even 11% will have as much effect in curing Leyland's problems as an aspirin in curing pneumonia.

A look at the facts

Because of repeated T.V. interviews and statements reported in newspapers over a long period, together with inaccurate information which is circulating about the import of Japanese cars to the U.K., we, as Datsun Dealers, with our livelihood at stake, felt it necessary to investigate the facts and the importance of this problem for Britain. We have come to the puzzling conclusion that:

- * Total imports to Britain from Japan—of cars, T.V.s, cameras, everything—account for only 3% of our total import bill... yet there appears to be more concern about them than the other 97%.
- * The cost of all Japanese cars brought into Britain is only 0.7% of our total import bill and cannot in any way be responsible for our trade problems.
- * Only 23% of all imported cars come from Japan... yet it is never suggested that the other 77% of imported cars are "threatening" the British car industry.

You will be aware that in the past two years the market share of Japanese cars in Britain has increased by only 1.57% and yet total imports have gone up by 12.15%. Is it fair to suggest that growth by 1.57% is a "soaring" increase, while 10.58% extra from France, Germany, Italy, etc. is not? Can it be overlooked that last year Fiat of Italy alone increased its car sales to Britain by 17,420, almost as much as all five Japanese car importers put together.

We have read and heard many times that a "flood" or "blizzard" of Japanese cars into Britain is threatening to destroy the British car industry, but such statements have no basis in fact. The official statistics are:

Registrations in the U.K. in 1977

Total Imports	600,577	(45.38%)
Japan	140,415	(10.61%)
E.E.C. & Others	460,162	(34.77%)

Could anyone suggest that our level of mathematics is such that we see 34.77% as a trickle and not worth mentioning, and 10.61% as a "flood"?

It has been suggested that because Japanese cars accounted for 13% of the U.K. market in January that this indicates a trend of great concern. Even a superficial study of the car market shows that one cannot judge a year's statistics on one month alone, or even two, because of fluctuations in demand, availability, price changes, seasonal factors, and so on. The level can be 6% in one month and 14% in another. It is the average for the year that counts. It is because such elementary facts are circumscribed that misleading conclusions are regularly, if not intentionally, formed and published.

Would Leyland benefit?

We wonder too if Leyland would benefit by car imports from Japan being reduced.

Importers from Europe are not running charity organisations for the benefit of Leyland as they have shown so often in the past. Each time in the last three years that Datsun Dealers have voluntarily restricted sales, European importers have leapt into the vacuum.

In December last year, when Datsun voluntarily restricted sales to 2% of the market, and angered many customers, the Japanese share of the market fell by 4%, but total imports stayed the same at around 45%. Leyland gained nothing from our gesture, their market share in fact dropping half a per cent, while other importers were happy to take advantage of Datsun's virtual absence from the market. A similar situation occurred during August and September—when Datsun cut back on sales, Fiat, Renault, V.W. and others increased their

market share substantially. On both occasions, British Leyland's share dropped instead of improving.

We would not like the examples we have given to be interpreted in any way as a suggestion that we would like other importers to face restrictions, even accepting that Fiat has announced that it plans to increase its sales to 90,000 next year, an increase of 36%.

To reduce Japanese car sales in this way protects the jobs of French, Italian and German workers, but not those of British Leyland workers.

Would it not be more helpful if the 134,286 cars built abroad last year and sold here as "British" Allegros, Escorts, Capris, Granadas, Vauxhall Cavaliers etc. (a total almost the same as all Japanese imports) had been built in Britain? The Times reports that only 67% of Vauxhalls sold in Britain are really British and 75% of Fords. Latest statistics for January and February show that even these figures are dropping to 62% of Vauxhalls and 72% of Fords.

Selling cars to Japan

In your remarks on television on Thursday February 23rd, when you were asked about 500 Leyland cars for which Leyland Japan have been waiting for some months you replied:

"Don't let anyone imagine that it is easy to sell motor cars in Japan. If you look at the figures, not just of our exports of motor cars to Japan, but the exports by Germany and other motor car manufacturers to Japan, you will see that it is very difficult to sell motor cars in Japan."

We have looked at the exports by Germany to Japan, and we see that in 1976 alone they sold 21,176 V.W.s, Audi's, Mercedes, BMW's and the like to Japan at an estimated value of over £100 million. That number of cars was higher than Britain's exports to the "easy" markets of car-producing countries such as Germany, France and Italy in either 1976 or 1977 as you will see from the statistics below. So perhaps the low number of British cars exported to Japan has something also to do with the British side?

Japan has deliberately been making it easier for countries with which she has a trade surplus to export their goods to Japan. This year, while Britain retains 11% Import Duty on all Japanese cars sold here, Japan is lifting this "barrier" and will impose no duty at all on British cars exported there. She has also already given Britain's car exporters two extra years to meet exhaust emission regulations which are strictly imposed on Japanese manufacturers in their own country. They have even satisfied the complaint that their regulations were difficult to follow, by producing them in English for the benefit of companies like British Leyland. Are British regulations translated into Japanese? No.

On many occasions, Nissan has offered shipping facilities to British Leyland and the use of Datsun dealerships in Japan to service Leyland cars, but the offers have not been accepted.

Department of Trade statistics show that in other car producing countries, British cars are not selling very well and that surely is not the fault of the Japanese. We wonder why Japan is singled out with accusations about the difficulties of selling, if our car sales to other car-producing countries are not much better.

U.K. Imports/Exports Passenger Cars by Quantity

Country	1976			1977		
	Exports	Imports	Deficit	Exports	Imports	Deficit
W. Germany	14,392	108,123	- 93,731	13,809	174,747	- 160,938
France	12,815	131,336	- 118,521	14,989	148,290	- 133,301
Italy	6,175	64,083	- 57,908	9,787	88,442	- 78,655
Bel/Lux	17,071	44,713	- 27,642	10,863	59,917	- 49,054
Total E.E.C.	129,006	361,710	- 232,704	131,376	483,364	- 351,988
Sweden	4,283	24,645	- 20,362	4,941	21,574	- 16,633
E. Europe	2,638	20,292	- 17,654	1,831	26,886	- 25,055
Japan	896	129,788	- 128,892	2,172	166,694	- 164,522

U.K. Imports/Exports Passenger Cars by Value (£'000)

Country	1976			1977		
	Exports	Imports	Deficit	Exports	Imports	Deficit
W. Germany	30,819	249,841	- 219,022	38,216	434,641	- 396,425
France	25,852	207,525	- 181,673	34,259	265,648	- 231,389
Italy	9,077	88,807	- 79,730	17,271	144,799	- 127,528
Bel/Lux	23,179	74,799	- 51,620	23,355	115,905	- 92,550
Total E.E.C.	171,287	643,313	- 472,026	232,561	981,793	- 749,232
Sweden	6,175	68,530	- 62,355	8,862	65,481	- 56,619
E. Europe	2,891	14,266	- 11,375	2,723	23,118	- 20,395
Japan	4,179	159,533	- 155,354	8,804	248,495	- 239,691

Trading with the World

We accept that Japanese imports to Britain are growing—but so are British exports to Japan of many products. In fact, it is one of our fastest growing export markets and must be cultivated. It is true that our visible trade deficit with Japan

is £596 million, but, as the Parliamentary Under Secretary for Trade, Mr. Michael Meacher, has said, our surplus on invisibles cuts that to around half that figure.

Our visible deficit with the Common Market was around £2,000 million, and would have been £550 million higher but for our export of crude oil. Our deficit with West Germany alone on visible trade was £1073 million, with Italy it was £553 million and with France £512 million. We also have deficits of £580 million with America, £520 million with Saudi Arabia, £510 million with Canada, £430 million with Russia (apart from their interest-free loan) £300 million with South Africa, and so on.

There is undoubtedly scope for improvement to increase our exports to Japan... but so there is in many other markets.

The media coverage given to the deficit with Japan, totally ignoring similar or higher deficits with other countries, suggests a striking bias.

The role of the S.M.M.T.

It has been suggested many times that the Japanese have "broken" a voluntary agreement about the level of their car sales in Britain in 1976 and 1977.

The S.M.M.T., who have conducted the negotiations and are best qualified to know, have never accused the Japanese in this way and have stated through their President that the Japanese, in contrast, have "shown sense during the British industry's period of reconstruction."

We consider it incorrect that the S.M.M.T., which is a private organisation to support the interests of the motor industry as a whole, including manufacturers, importers and their dealers, should be instructed to obtain discriminatory restrictions from Japan against the policy and interests of their members. Including all importers and the major companies such as Ford, Vauxhall and Chrysler, who have stated that they are against import restrictions. The recent conversion of British Leyland and Mr. Michael Edwards is easy to understand and not so significant.

We would recall the comment of *New Statesman* on February 17th 1978:

"Not only are import controls an insular—almost at times chauvinist—policy, they also involve a real danger of masking the actual problem and suggesting a false solution."

No unilateral discrimination

We are not asking for special treatment, Mr. Dell, just for fair play and for our right as ordinary British people to be protected from unilateral discrimination. We have to defend our employees and our livelihood.

We are also anxious to see the British motor industry improve its situation for the good of the country and to provide a healthy U.K. car market, but we see only that this present campaign against the Japanese in isolation makes them a scapegoat in a way that threatens our livelihood and the jobs of our employees, without creating any benefit at all for British Leyland or the country. Ignoring the facts doesn't make them disappear.

We do not intend to take advantage of the present Leyland difficulties, but neither can we accept to be accused and pilloried, if our market share varies by decimal points. In fact, we are amazed at the level of approach to the car import/export situation, where a small decimal increase by Japanese cars in the U.K. is given more prominence than a major earthquake, becomes a pet subject for some people and is pursued as an obsession with different undertones.

Such an increase matters not a ha'penny to Leyland or the British economy—what matters is the value of cars imported and the employment they represent.

In the same way that you cannot compare the material and labour content of a Mini with that of a Jaguar, neither can you compare a small Datsun with a Mercedes or BMW. So a judgement based on numbers alone may appeal to emotion, but not to reason, for it does not bear relation to economic reality, either for the U.K. economy or for Leyland.

We would not feel it fair for an accusing finger to be pointed at us if sales increase by decimal points because we have to cover the soaring costs of inflation to avoid bankruptcy for some of us, or putting workers on the dole. What is fair for one is fair for another.

For these reasons we ask you to look again at the situation in depth, so that the Press and public can see the problem in its true light and in proportion to its significance.

**Issued by the
Datsun Dealers' Association
with the
support of Datsun U.K. Limited**

Mr. P. Fletcher, Fletcher Motors Ltd., Leeds (Chairman)
Mr. J. Bradburn, Bradburn Bros. Ltd., Wolverhampton
Mr. H. Cole, Ancaster Garages, Croydon
Mr. K. Knowlson, North Wales Car Centre, Abergele
Mr. C. Sang, Datsun Baker Street Ltd., London
Mr. W. Weir, Bill Weir Ltd., Glasgow

Statistics from: 1. Overseas Trade Statistics of the United Kingdom 1977.
2. Society of Motor Manufacturers & Traders publications 1977/8.

Here are the principal figures for Den norske Creditbank for 1977

- our 120th Accounting Year.

Profit and Loss Account

	1976	1977	Change
Income (interest paid deducted)	515.0	692.8	+ 177.8
From Investment Fund and Disposal			
Development Fund to depreciation	11.8	6.3	- 5.5
Evaluation of real estate	20.9	179.9	+ 159.0
Wages and expenses	41.55	478.0	+ 636.5
Depreciation (including on buildings)			
Extraordinary, non-recurring fund	83.5	0.3	- 83.2
Profit	34.7	49.8	+ 15.1
Losses	85.9	67.1	- 18.8
Dividend	11	11	0
TOTAL TRANSFER TO RESERVE FUND	211.1	219.6	+ 8.5

Other Important Figures

Provision of funds	30	40	+ 10
Subsidiaries	20	21	+ 1
Cost branches and exchange offices	33	33	0
Total offices	93	94	+ 1
Banks abroad in which DnC has branches	4	4	0
Wholly owned banks abroad	1	1	0
Representative offices	2	5	+ 3
Shareholders' representatives	5	5	0
Employees	2879	3007	+ 128
Shareholders	11,086,337,326	2,620	

Balance Sheet

	1976	1977	Change
Assets			
Cash and deposits with Bank of Norway	10.8	10.8	0
Investment fund to depreciation	1.4	1.4	0
Real estate	2.4	2.4	0
Government securities	125.0	0	- 125.0
Loans	1,000	2,000	+ 1,000
Other financial assets	1.1	1.1	0
Liabilities			
Deposits in foreign currency	640	666	+ 26
Deposits from foreign banks	581	596	+ 15
Deposits from foreign banks	614	647	+ 33
Other liabilities	635	1,552	+ 917
Share capital	689	853	+ 164
Guarantee fund	11,474	13,716	+ 2,242
Other financial assets	2,707	2,785	+ 78

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Commerce

Kr. 1,658 mill. (13.5%)

Shipping

Kr. 1,749 mill. (14.3%)

Personal Borrowers

Kr. 3,166 mill. (25.9%)

Others

Kr. 2,866 mill. (23.6%)

Industry/Mining

Kr. 2,778 mill. (22.7%)

Others

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Den norske Creditbank
Kirkegaten 21
OSLO 1.
Tel.: (02) 4810 50
Telex: 18175

DnC
Den norske Creditbank

ENERGY

Underground store for liquefied gas

SWEDEN is to experiment with the storage of liquid natural gas at very low temperatures in large, man-made caverns deep underground and Lloyd's is to help in development work to this end.

WP-System AB of Stockholm has sought the aid of Lloyd's Register Industrial Services which will provide advisory and consulting services, design appraisal, shop inspection and quality control of site work for a prototype underground storage facility at Botle Udd in Sweden.

The initial project is a key development study to provide the technical information on which the Swedish group proposes to have the provision of some 200,000 cubic metres of storage caverns for liquid natural gas.

The prototype facility is a rock chamber some 15 metres below ground level with the necessary access tunnels and

Burns coal efficiently

COMPACT, coal-fired fluidised bed furnaces can be used as uniform heat sources for a variety of industrial drying processes, are offered by G. P. Worsley and Co.

Suitable for operation at pre-selected temperatures up to 800°C, these Thermo-Flow furnaces have been developed for efficiencies of 96 to 98 per cent, depending on the characteristics of the fuel used.

Fluidised beds facilitate efficient combustion of the cheaper, low quality solid fuels which are difficult to burn in conventional furnaces. The Worsley units take ordinary industrial grade coal and burn it as standard fuel irrespective of ash and sulphur content. Fluidised combustion produces a dry, clean gas which is retained in a drop-out zone at the heat discharge end of the furnace.

The Thermo-Flow furnaces are available as single-bed or twin-bed designs, with fuel charging hoppers mounted directly above the beds. Fuel feed into the furnace is automatic and is suitably controlled to maintain the desired thermal output. Furnaces are offered in cold starting and for continuous running, can be by remote control if required. The standard furnace design is based on experience gained in the actual operation of fluidised bed furnaces for industrial drying applications. This experience followed an extensive research and development programme carried out by the Haydock company over two years at the Coal Research Establishment of the National Coal Board.

Rated heat release outputs on the four standard models range from 7m to 25m. British thermal units per hour (1,750,000 to 7,000,000 Btu/hr) with gas discharge volumes at 900°C ranging from 27,000 to 108,000 cubic metres per hour.

G. P. Worsley and Co., Haydock Lane, Haydock, St. Helens, Merseyside WA11 0UU. 0744 24891.

POWER

Smoothing out demand

RECTIPHASE is making a new type of low voltage capacitor which embodies a number of technical improvements and a major ecological one since it avoids the use of PCB or polychlorinated biphenyl, a dielectric fluid of high performance but with a reputation so far as environmental authorities are concerned, particularly in the U.S.

The Ecovar capacitors are being produced at the company's Rotherham plant to a design which the company believes is much more economical than traditional paper capacitors since it provides a saving of 15,000 kWh per year on an installation of 1000 kvar.

Metallised polypropylene windings are employed and these confer a self-healing property since, if an internal electrical fault should develop, the metal in the surrounding area will vaporise and deposit over the puncture and restore continuity. These windings are impregnated under vacuum during manufacture with a non-toxic and bio-degradable vegetable oil. This has been used for some time in lighting industry equipment and the company's research force has extended its application to the larger units required for power factor correction.

The new models are much more compact than the units they replace and the fluid used has a higher flashpoint than mineral oil.

Industry is becoming much more energy conscious, but potential users of power factor rectification equipment in the food and water industries have been extremely cautious about installing PCB-filled units. Now, the Ecovar series, which has a much greater margin of safety and a non-toxic dielectric, should allay many of these fears.

This is of considerable importance for potential users who have large numbers of

SYNTHETIC ester fluids developed as safe replacements for polychlorinated biphenyl (pcb) based dielectrics are for use primarily in capacitors and transformers located in confined or critical areas.

MIDEL 7000 series fluids do not break down to produce ecological poisons, they are biodegradable and they conform to the extremely stringent conditions of dryness and purity required by electrical equipment manufacturers.

MIDEL fluids are therefore acceptable alternatives to the pcb based dielectric fluids meeting in addition to environmental requirements, those required for "Health and Safety at Work"—the only handling precautions are those recommended for petroleum based fluids.

These important aspects are combined with excellent performance characteristics including a high fire point in excess of 300 deg. C, a high thermal conductivity value, a high specific heat value and a low viscosity at 100 deg. C. Additionally, MIDEL fluids will not generate toxic substances in the event of electrical or thermal faults developing within plant.

More from Midelants and Insulators on 081 872 2451.

PRINTING

Speeds up composing

ADDED to IBM's typesetting machine range is a magnetic card composer which is built up from a typesetter layout keyboard, an integral 8,000-character electronic memory and a pack-fed magnetic card console. Now, the Ecovar series, which has a much greater margin of safety and a non-toxic dielectric, should allay many of these fears.

This is of considerable importance for potential users who have large numbers of

The machine enables text held in memory, or transferred into memory from magnetic cards, to be played out in multiple columns, or, for example, in either right or left, centred or justified formats after a few keystrokes. Run-arounds can also be handled just as easily.

Re-eliminating manual "cut-and-paste" corrections productivity can be increased in both professional print and in-house print operations. The composer also enables work to be updated, or printed in a different typeface, measure or format without rekeyboarding.

1311, Wigmore Street, London W1H 0AB. 01-935 6600.

COMPUTING

Terminal newcomer

LATEST contender for the visual display unit terminal market is a company called Lynne Computer, set up by the ex-used in computer machines on managing director of Compuserve, Martin Underwood.

The company has designed and will manufacture and sell the Lynne 4000 which is the latest LSI processor and video controller devices and has a specific design for the latter than could be exported for the price.

More from 2, Avenue Court, Farm Avenue, London, N.W.2 01-482 0400.

COMPONENTS

Resistor plant grows

AN INVESTMENT of \$1.5m is being made at the Glenrothes plant of Beckman Instruments to permit local large-scale production of SIP (single in-line package) thin-film resistor networks for markets in Europe. This will create new jobs for both engineers and operators.

For the past three years such networks marketed by the European electro-products group of Beckman have been made at the company's plant in Fullerton, U.S. The Glenrothes plant will now manufacture the complete range of SIP networks with any number of pin outlets in addition to the DIP (dual in-line package) networks already produced in Scotland.

Production at the plant is currently being reorganised under a resistor network department and an area has been prepared to take the new equipment. This includes screen printing machines, drying kilns, laser trimmers, moulding presses and automatic testers.

TELEVISION

Canada has fun with games

CANADA'S Federal Department of Communications has announced that it is setting technical standards for home TV games.

These devices, reported to have a market in the order of 500,000 units a year in Canada alone, have enjoyed a rapid growth in popularity during the last two years. They generate mini TV signals of their own, which are fed to the antenna terminals of TV receivers through a transfer switch that allows the TV game player to select either regular TV programming from his antenna or the game, and cable TV where available.

The problem is that improper design or connection of these switches, and other characteristics of some models, can cause interference to other TV sets or radio services in the vicinity of the game. Signals from this can leak into cable systems or home receiving antennas, he carried on power lines or be radiated from the game itself.

Canadian Government standards will set limits for normal output signal levels from game isolation requirements for transfer switches; maximum permissible radiated signal strength from the devices themselves, and maximum radio voltages to be allowed on game power cords.

An industry standard for the Construction and Performance of Battery-Operated Emergency Lighting Equipment has been published jointly by BEAMA and the Lighting Industry Federation. The 1:10 bodies have also established a joint Industry Committee for Emergency Lighting. Copies of the industry standard (LSA 4.62pp) are available from either body on 01-437 0678 or 01-636 0766.

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METALWORKING

Automatic panel bender

THE SALVAGNINI P4 automatic panel bender will be shown for the first time in the U.K. at Metalworking 78 (NEC, Birmingham, April 20-22).

It can produce up to 20 bends on the four sides of a rectangular panel, with a floor-to-floor time of 55 seconds. For a panel with eight bends the time is 34 seconds.

Panel size range is 170 to 1000 mm wide by 410 to 2000 mm long. Its fast operation makes the machine suitable for small to medium production runs.

Marketing in the U.K. is by Lomas International, Whitchurch, Bournemouth, Dorsetshire BH9 6DJ (060081 777).

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MOLE AIR is the name given to a mini-refrigeration unit developed by Denko Miller. It is intended for applications where work has to be carried out in confined spaces with high ambient temperature and humidity.

The boxed unit can be easily carried by two men, and requires 110V-50Hz supply. It is rated at less than 4kW at ambient temperatures up to 115 deg. F. To cool the enclosed space, a small fan coil unit is taken into the area at the end of refrigeration hoses connected to the main compressor.

More from the maker at PO Box 11, Holmer Road, Hereford (0432 68181).

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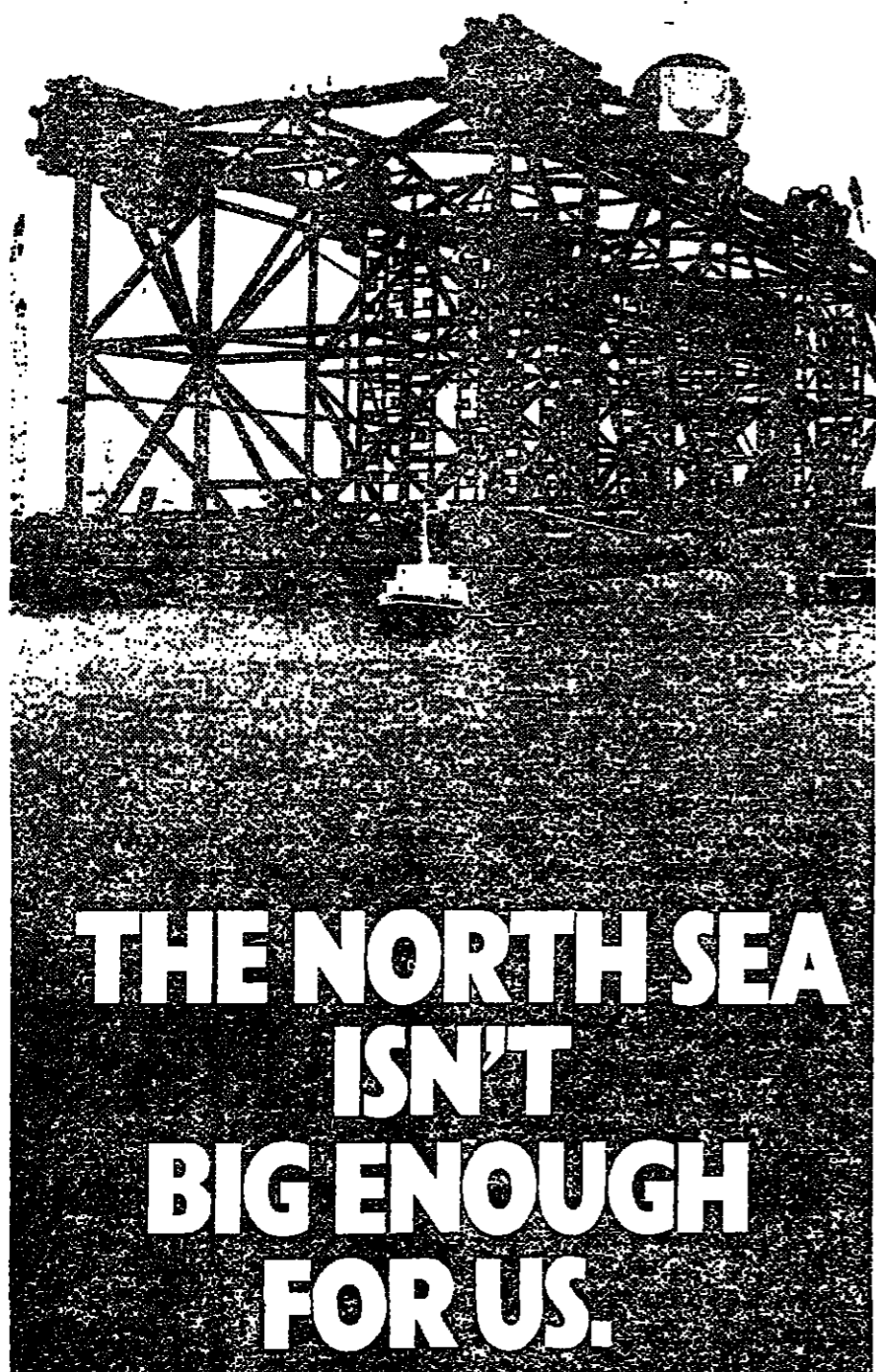
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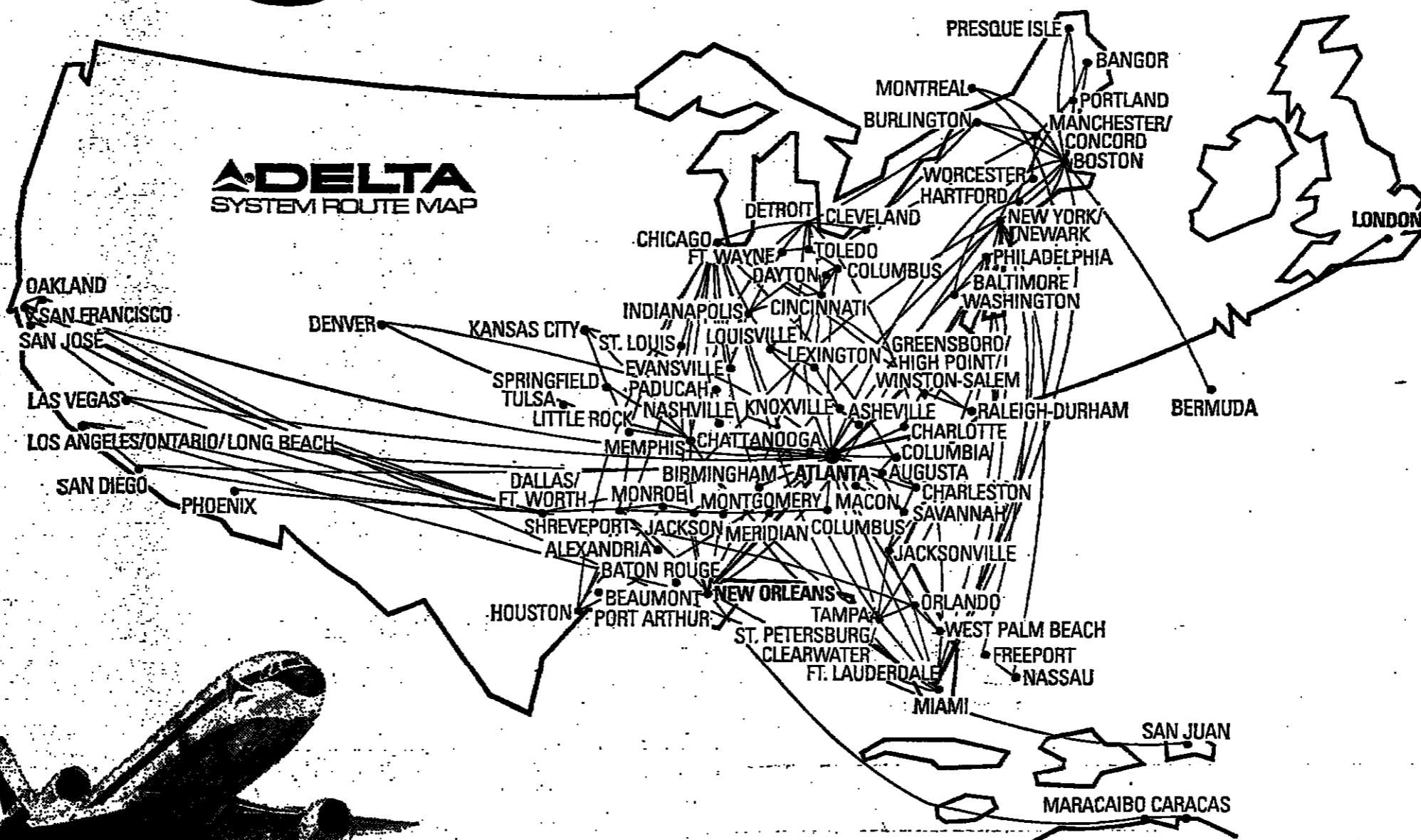
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FT25



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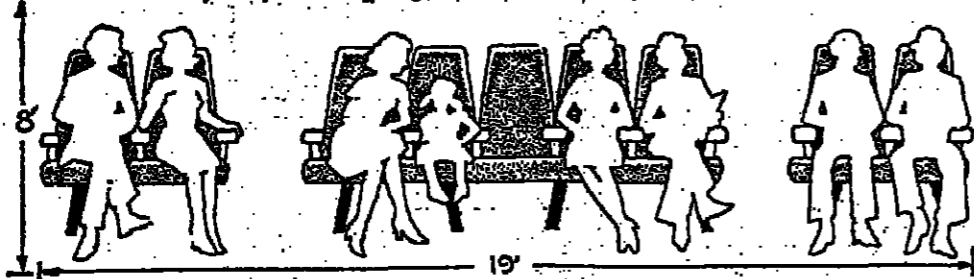
Delta's Flight 11 leaves London every day at 12:10pm and arrives in Atlanta at 4:25pm. After a brief stop, it goes on to New Orleans, arriving at 6:45pm. Coming back, Delta's Flight 10 leaves New Orleans at 2:45pm every day, departs from Atlanta at 6:30pm, and arrives in London at 7:20am. (All times are local times.)

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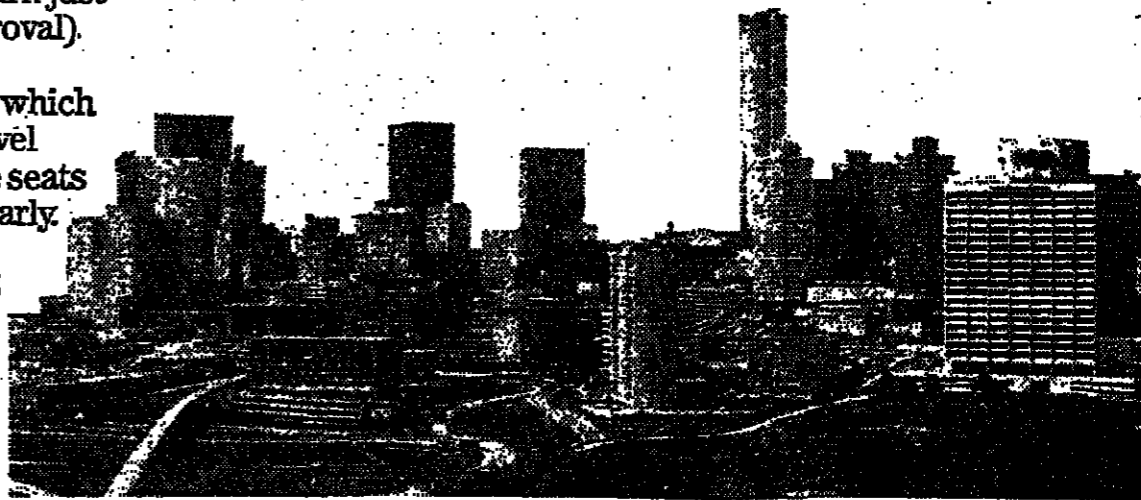
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The Management Page

EDITED BY CHRISTOPHER LORENZ

Simplifying a company's obligation to shareholders and employees

IN A little-noticed section of the White Paper on the conduct of company directors, published last November, the Government said that, under its proposed legislation, directors would "be required to send the annual report and accounts to all employees as well as shareholders." This extraordinary suggestion appears to negate the valuable work that many companies have put into the development of simplified reports for employees.

It is not clear whether, under the proposed legislation, the full report and accounts would have to be sent to overseas employees or merely those in the U.K. If the requirement extended to overseas employees, would an English language edition be sufficient? In either case, the additional cost of printing and distribution would be substantial. For instance, Imperial Group sent out some 200,000 copies of its 48-page annual report last year. An additional 90,000 copies would have been required if these had been sent to all U.K. employees, and a further 10,000 if overseas employees had been included.

It is doubtful whether many employees would benefit from the receipt of the full annual report—which is tending rapidly to become an information package designed for professionals. Successive Companies Acts have increased the disclosure requirements and this process has been reinforced by the activities of The Stock Exchange, which asks for additional information for listed companies; and of the accounting bodies, which have issued a stream of recommendations since 1971.

The result is that, instead of a simple balance sheet and profit and loss account, most listed companies

annual reports now contain two balance sheets (one for the parent and one for the group) and up to four statements showing the results of the year's operations (an historic cost profit and loss account, a current cost profit and loss account, a sources and applications of funds statement, and an added value statement) together with several pages of notes and other information. How many people could honestly say that they fully understand the difference between these various statements?

And this is not all. In the Green (discussion) Paper on the future of company reports, published last July, the Government mentioned a number of additional features that it proposed larger companies should include in future annual reports. Apart from making added value statements and sources and applications of funds statements compulsory, and requiring more detailed disaggregation of companies' activities by type of business and geographical area, the proposed rules would require the publication of additional information about such subjects as manpower, short-term borrowings, leasing, obligations to pension funds, transactions in foreign currencies, and international trade. In addition, consideration is being given to making it a require-

ment to publish information about research and development expenditure, energy usage, and "future prospects."

Most, if not all, of the new disclosure requirements are intended to apply to larger companies only. It was tenta-

ing requirements for smaller companies is a welcome one. Nevertheless, it seems that larger companies' reports are destined to become even more complicated than they are at present. The prospect that an increasing amount of EEC

that simplified reports should be provided for employees. I believe, however, that the important distinction should not be between the needs of investors and employees but between those of sophisticated and unsophisticated users of company reports

the scale, trade unions can be very sophisticated users of the full report and accounts. The detailed study which the Transport and General Workers' Union made of the last accounts published by the Ford Motor Company is an example of this.

The same distinction applies in the investment world. Institutional investors and analysts have an almost insatiable appetite for information to help them in their job of understanding what has happened to companies in the past and, more importantly, how these companies are likely to perform in the future.

However, it appears that many private investors find modern reports too complicated. A survey recently published by the Institute of Chartered Accountants in England and Wales ("The Private Investor and the Corporate Report," by Lee and Tweedie) found that 33 per cent. of private investors would welcome some form of simplification. A Swedish survey by Volvo showed that, given a choice, 47 per cent. of shareholders would opt for a simplified version of the annual report.

I believe that they should be given such a choice. This would mean changing the law in the opposite direction to that proposed by the Government. Instead of requiring the

full report and accounts to be sent to all employees, directors should be allowed to satisfy their existing obligation to report to shareholders (and any future obligation to report to employees) by sending simplified reports unless the more detailed reports were specifically requested.

This is not such a revolutionary proposal as it may appear. A precedent already exists in the U.S., where much of the detailed information required by the Securities and Exchange Commission (for example, replacement cost data) can be shown in the 10-K statements which are filed with the SEC and sent only to people who specifically request them.

There would be legal and administrative problems in making the change. The law would presumably have to specify the contents of each report. Both sets of accounts would probably have to be audited, to ensure that they gave a true and fair view, and companies would have to keep records of which type of report each shareholder wanted.

It would also be necessary to ensure that those who opted for the full reports received all the information that the company was prepared to publish. There have been examples in the past where significant information published to em-

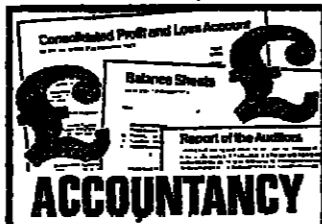
ployees did not appear in the report and accounts sent to shareholders. One way of avoiding this problem, if there were any doubt, would be to send both reports to those who asked for the full package. Many companies do this already.

Provided the simplified reports were clearly presented and avoided too much gimmickry, the advantages of increased understanding should outweigh the disadvantages of producing two different reports each year and it is probable that increasing numbers of companies would decide to do this.

Time is, however, running out. The Government is committed to introducing a Bill this session, possibly this month, to implement the EEC Second Directive, which requires all companies to be designated as either public or private. The proposed legislation on the conduct of directors, including the requirement to send the full report to all employees, could be included in this Bill. Those who share my belief that simplified reports would be more appropriate in many cases should therefore make their views known as soon as possible.

Although the accounting bodies have expressed themselves as broadly sympathetic to the idea of simplified reports for shareholders, and are conducting research into the question, my views as expressed in this article are personal, and are not necessarily shared by other members of the Accounting Standards Committee.

Martin Gibbs is the senior research partner of stockbrokers Phillips and Drew Ltd. He recently joined the Accounting Standards Committee.



Martin Gibbs outlines the case for allowing directors to send shareholders simplified reports unless they request more detailed accounts.

ively suggested that these would be defined as companies employing more than 500 people or with a turnover of more than £5m.

Amplifying the proposals in a speech in October, Mr. Stanley Clinton Davis, Under Secretary of State at the Department of Trade, said that there might eventually be a three-tier system of reporting in the U.K. This would involve a shorter form of report than at present for small companies, a somewhat extended version of the present requirements for medium-sized companies, and "comprehensive reports and accounts for larger companies."

The suggestion that there should be less stringent report-

whether shareholders, employees or some other category. The great majority of employees must clearly be regarded as unsophisticated users. If they differ from other users of company reports it is because they have an additional interest in information relating to their particular place of work. In a survey of its employees, carried by Laporte, the items regarded as "very interesting" by the largest number of respondents were future prospects (91 per cent.), site information (84 per cent.), and group profit/loss (82 per cent.). Overall, 88 per cent. of the respondents found the 1976 employee report "satisfactory."

However, at the other end of

company cars and other benefits for straight pay increases. But it does appear that small companies have increased executive and professional salaries faster than average over the

Rewarding news for managers

MANAGERS who bemoan their financial lot may be cheered by the latest survey from Reward*, which produces four-monthly reports of executives' pay and conditions. Things are getting better, it says: so much so that the middle and junior executive may expect an increase in living standards of between 5 and 10 per cent. in the 12 months to the end of 1978, assuming the much heralded tax cuts arrive in the April Budget.

The Reward survey of 31,000 professional and executive staff shows an annual increase in earnings to February this year of 8.4 per cent., a figure appreciably lower than the 10.5 per cent. increase in the National Average Earnings Index over the same period. But of that 8.4 per cent. increase 5 per cent.

was in the four months since October. "A simple extrapolation of this figure shows salaries increasing by 15 per cent. in the year to October 1978," says the report. The improvement in the standard of living of managers can be accounted for mainly by falling costs and tax concessions, but as the survey points out, qualified and professional staff benefit disproportionately from the reduction of mortgage interest. A middle manager earning £7,500 only needs a 1.2 per cent. increase in gross salary for the year to February to maintain his standard of living.

The hypothetical manager on £7,500 receiving the average increase of 8.4 per cent. in the year will be £500 better off, says the survey.

While pre-tax differentials between managerial staff and operatives continue to be eroded, the plight of managing directors is even worse. Their salaries, according to Reward, have risen by 6 per cent. in the last eight months compared with 8.3 per cent. for the full index and 7 per cent. for the National Average Earnings Index. "This of course means that the after-tax take-home pay of those carrying the greatest responsibility is again seriously

eroded compared with average earners," says Reward. The yawning gap between salaries paid by large companies compared with those paid by small enterprises has closed considerably. In 1975 Reward found that large companies were paying 20 per cent. more than the national average but only 16 per cent. more in 1976. This trend has continued and major companies now only pay 8.5 per cent. more than average. There is one caveat: larger companies are tending to substitute com-

SALARY TRENDS BY JOB CATEGORY

Job Category	Median Age	Median Salary	Median Annual Increase
General Manager	45	7,000	400
Accountant	32	3,500	425
Systems Analyst	31	4,550	350
Personnel Manager	35	4,900	700
Training Manager/Officer	38	4,300	325
Marketing Manager	37	5,600	700
Sales Manager	40	5,200	500
Production Manager (Engineering)	39	4,800	500
Production Manager (Non-Engineering)	36	4,700	500
Quality Controller	37	4,250	450

Source: Reward Survey

fixed staff has remained static," says Reward.

On fringe benefits Reward notes that executive overtime is becoming a serious issue for many companies. It says that many shopfloor workers who work overtime are significantly better off than their staff colleagues who put in additional hours for no extra money.

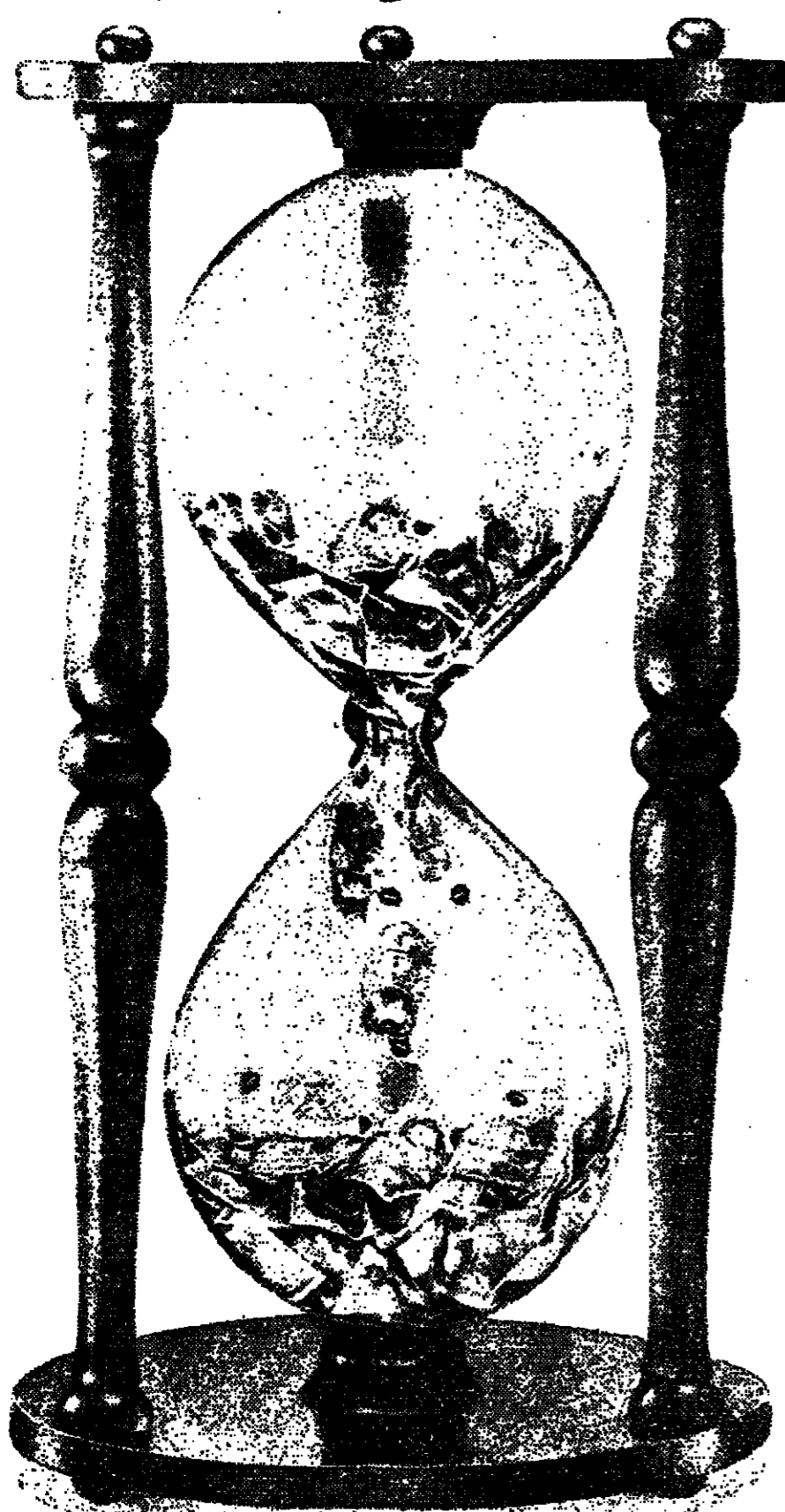
On another point, the much complained of differential between public and private sector pay levels would appear

to be on the wane. In a survey of its members the Institution of Electrical Engineers found that the median earnings for fellows and members in the public sector were £340 above their colleagues in private industry. Last year the difference was £1,180.

*Reward 9 is published by Reward Regional Services, 1 Mill Street, Stone, Staffs, ST15 6BA. Annual subscription £54 (inc. VAT) for three issues.

Jason Crisp

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BUSINESS PROBLEMS BY OUR LEGAL STAFF

Capital gains in gilts

I bought three tranches of £2,000 of Treasury 11½ per cent. 1991 in June, July and August last year and last month another of £1,000. As the anniversaries come along, shall I be able to sell the appropriate amounts on a first in, first out basis? I see by Section 59 Finance (No. 2) Act, 1975, that special rules apply where a person who holds Government stock buys further holdings and then makes a disposal. Could you enlighten me on this?

Any sale within 12 months of your latest purchase will produce a chargeable gain (or potentially allowable loss). Briefly, the rule in paragraph 7 of Schedule 10 to the Finance Act, 1971, may be described as first-in-first-out looking back only 12 months. For example, if you sold £3,000 nominal on June 15, 1978, you would be deemed to have sold the £2,000 which you bought on July 21, 1977, and half of the £2,000 which you bought on August 1, 1977.

Unless you realise a potentially allowable loss, you need not trouble about Section 59 of the Finance (No. 2) Act, 1975, which merely extended the loss restriction rule in Paragraph 9 of Schedule 10 to the Finance Act, 1971.

Uncollected goods

With reference to your reply under uncollected goods (Jan. 22), do you not agree that the Disposal of Uncollected Goods Act 1952 has been repealed by the Torts (Interference with Goods) Act, 1977, the relevant provisions came into effect on January 1, 1978? Among other differing provisions, there is no longer a requirement to display notices in shops and the period after which goods may be sold is much reduced.

We agree that the law as stated in our reply was as it stood under the former statute before 1 January 1978. The Torts (Interference with Goods) Act 1977 now makes simpler provision in respect of goods which are bailed but it does not apply where the goods were bailed before the commencement of that Act (Section 13(1)); hence our reply setting out the old law.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Employment Legislation

Dealing with Everyday Problems
12th-13th April 1978

- This is a course concentrating upon the handling of day-to-day employer difficulties arising from poor individual performance, bad timekeeping, misconduct and other disciplinary matters.
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- Attendance will be strictly limited to 30, ensuring full involvement by those attending, and the charge for the 2 days, inclusive of lunch and all materials, is £120 per person plus VAT. The course will be held at our London Conference Suite, Baker Street, London W1, and the programme will operate 09.30-17.30 on both days.
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FINANCIAL TIMES SURVEY

Wednesday March 8 1978

German Banking

Relatively sluggish demand from industry has not prevented the West German banks from enjoying another good year. Much of this successful performance can be attributed to their increasing initiative in foreign operations.

Flourishing despite economic chills

By Guy Hawtin, Frankfurt Correspondent

A GLANCE at the West German economy at the end of 1977 could well have led the casual observer to the conclusion that the Federal Republic's banks were having a bad time. In fact the reverse was true—1977 was yet another year in which the banks outperformed industry as a whole by a very long way.

Last year the Gross National Product grew by a disappointing 2.5 per cent. or thereabouts. Banking profits, however, went up far more steeply. Although most banks have still to unveil their final profit figures, at the end of the first ten months of 1977 West Germany's big three—Deutsche Bank, Dresdner Bank and Commerzbank—all indicated that earnings were up by at least 10 per cent.

Naturally enough, some banks have done far better than others. But from the returns that are emerging it seems that earnings for the year as a whole will, industry-wide, tend to mirror those of the commercial majors. Moreover, bank shareholders—even foreign holders who have been badly hit by West Germany's corporation tax reform—are likely to have good reason for satisfaction.

Corporation tax reform, which involved increasing the 36 per cent. tax levied on distributed profits to equal the 52 per cent. on retained earnings, means that shareholders' cash payout has on average been substantially decreased throughout industry.

However, the new system for the first time allows shareholders to offset the corporation

tax paid on their dividend against personal taxation. The effect of this has been to boost real dividend earnings for investors who pay tax in the Federal Republic. Holders who have no West German taxes against which to offset their corporation tax have in the main seen a heavy decline in earnings.

The message from the big banks, however, seems to indicate that the declines in dividend to be expected for 1977 will be minimal. This means that although the foreign shareholder still remains a second-class citizen in that context, at least the decline in earnings will either be very small or nil.

One of the main factors in the banks' ability to maintain an increasing rate of profit at a time of flat industrial credit demand has been growth in the foreign sector. The German banks did not start building up their overseas operations until relatively late in the post-war period.

Pushed

Until the early 1960s, even after the return of the Deutsche mark to convertibility, they had been greatly preoccupied with the reconstruction of the country's devastated industry. Even then it would not be entirely unfair to argue that they were pushed by their customers into flexing their muscles overseas rather than by their own ambition.

However, it was not until

Last year, as in 1976, that there had been an increase, it appears, in advances to private customers companies channelled their resources into rationalisation and reorganisation programmes rather than embarking on projects aimed at providing new production capacity. This was reflected in the balance sheets of all the banks that have so far reported.

But this was more than offset by a lively demand for funds from the public authorities and a powerful surge in the consumer credit sector. While the savings rate here is still very high and the retail trade as a whole has been as flat as a pan-

cake, the car industry has been doing very well indeed. Car buying has not been the only reason for high credit demand from private customers. Calls for money for holidays abroad have remained high, although this is not always reflected in the travel companies' figures. There has also

Landesbanks are also relying on their turnover abroad to generate a growing proportion of earnings. Indeed the largest of them, Westdeutsche Landesbank, obtains about 30 per cent. of its earnings from foreign business.

The Euro-market, a very important area for the German

banks, remained very lively and Deutsche Bank, the country's largest, alone managed co-managed 104 issues in the first nine months of the year. In the first nine months its overall Euro-currency loan volume amounted to \$16.3bn.—not far short of the \$17.7bn. total for the whole of the previous year.

The foreign exchange markets were another important profit centre, although the enthusiasm for trading on own account appears to have long since evaporated. Currently fluctuations of the past year and the early months of 1978 have pro-

duced a high turnover and this has naturally been reflected in the banks' commission figures. Paradoxically, perhaps, not all bankers are happy about the foreign exchange markets. The profit is of course welcome but it is the destructive nature of the movements that are causing them for others.

The feeling here is that share values in the West German stock market will continue upwards during the course of 1978. But growth, as Herr F. Wilhelm Christians, joint chief executive of the Deutsche Bank, has pointed out, is likely to be neither uniform or steady. Forecasts are based partly on the moderate increase predicted for GNP and take into account the pressure industry is feeling on the wages front.

While allowances have been made for the steady appreciation in the D-Mark's value, it is still hard to assess the affect of the massive fall in the value of the dollar. However, many bankers here feel that the ability to export is more a ques-

tion of "export-mindedness" than of low exchange rates. It is therefore open to question whether U.S. industry will become an even stronger competitor in international markets than in the past. The key factor for Germany will be whether its industry will be able to maintain its position vis-a-vis its main European competitors for world markets.

Prospects for German shares are certainly enhanced by low interest rates, although the re-

form of the West German

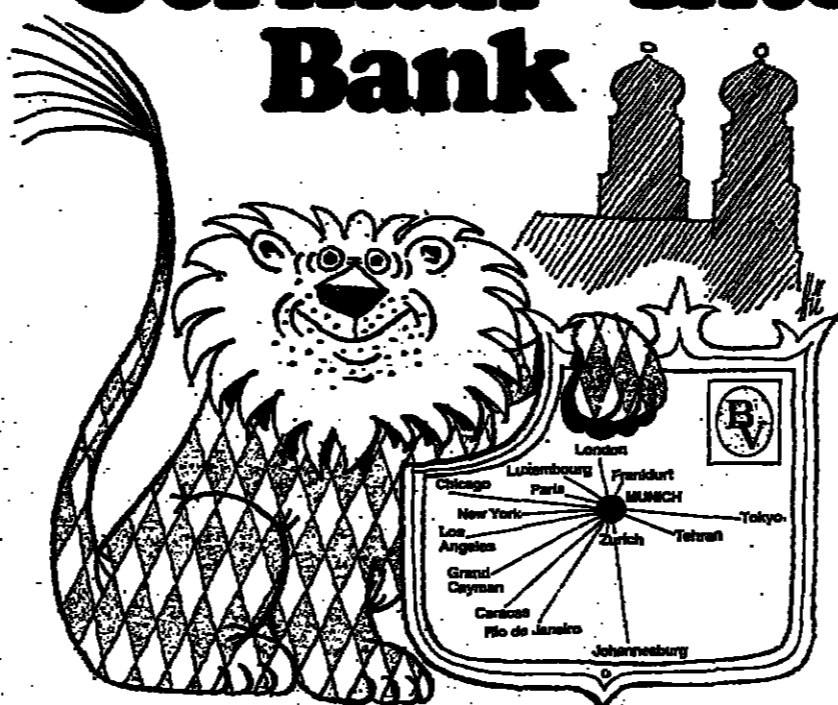
corporation tax system is still a mixed blessing. While West German shareholders have undoubtedly seen great benefits, the foreign shareholders have often taken heavy cuts in earnings. Bankers are still appealing to the Federal Government to put foreign holders on an equal footing with their German counterparts, but the chances of any change in the situation seem extremely thin.

Buoyant

The West German bond market, which saw a record volume of about DM78bn. last year, is also expected to continue buoyant. It is thought it will be easily able to finance new borrowing of at least DM20bn. this year. Investors who have been flocking to the bond market at the Stock market's expense are not expected to desert it just yet, despite declining yields—if only because there is a shortage of other investment opportunities.

On the interest rates front, there seems to be slim prospects of increased margins. But although all bankers agree that margins have been under severe pressure, it seems unlikely that they can be squeezed much further. The strength of the D-mark, coupled with weak demand from industry, means that interest rates will show little improvement. But they are lying at such a low level that a further decline seems highly improbable.

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Head Office Munich International Division
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GERMAN BANKING II

Bundesbank blues

FOR THE Bundesbank, mental doubts that exist about the Carter Administration's termination to defend it, let alone to achieve the significant cuts in imported energy consumption that might improve the U.S. payments deficit.

At the political level the rest of the world has been treated repeatedly over the past year or so to the spectacle of public wrangling between Bonn and Washington over whether West Germany ought to "do more" as the current phrase has it, act as a "locomotive" for the rest of the world economy. Although both Governments have apparently agreed to differ for the time being, or at any rate until the July summit meeting in Bonn of the major economic powers, there is little sign that basic ideas on either side have been changed.

At the more technical level on which central banks operate, co-operation is officially described as good. In January, when the Federal Reserve announced its intention to make

active use of its \$20bn. network of swap agreements with other central banks, the Bundesbank readily concluded an agreement with the Americans on a substantial new bilateral swap line. Since then, it has been willing, when pressed, to hail the U.S. authorities' more co-operative attitude towards intervening markets in order to smooth out the dollar's downward trajectory and avoid unruly conditions. Such operations have cost the Bundesbank itself well over DM15bn. since the present bear market for the dollar gathered force late last September.

Privately, Bundesbank officials seem a good deal less than happy at the present state of relations with the Americans, and not only because of their distress (in common with most foreign central bankers) at the departure of Dr. Arthur Burns from the Fed. As in 1971 and thereafter, the Germans tend to feel both that the U.S. expects others to solve its problems for it, and also that it takes its

Reflected

In the event the Central Bank Council (the Bundesbank's highest assembly) took no action at all—a decision that seems to have reflected the Germans' philosophical distaste for "dirigiste" controls, their scepticism about what steps can achieve, and

their sense of bafflement at what can be done by anyone, except perhaps the Americans, for the dollar at this stage.

True, there remains a certain confidence that, given a calm spell in the markets, funds will be moved back across the Atlantic in response to the increasingly wide interest differential between Frankfurt and New York, as happened last year. But many Bundesbank officials appear now to feel that there is little more that they, as only one central bank in a complex and multi-faceted system, can do to achieve this end.

The phrase that "monetary policy has done all that can be expected of it" has indeed been a familiar refrain at the Bundesbank's periodic Press conference, and has been repeated by no less a person than Dr. Otmar Emminger, the president. He has used it on numerous occasions not only to convince international opinion of the German authorities' awareness of their

duty to accentuate the trans-Atlantic interest differential but, no less important, to remind the domestic audience too of the limitations that exist on West Germany's freedom of manoeuvre as it seeks ways to underpin a still faltering economy.

For well over a year the authorities have been working to set the sails in such a way as to catch any breath of wind that might blow in the direction of more rapid economic growth. For the Bonn Government, which now sees its forecast of a 3.5 per cent. rise in real Gross National Product in 1978 as "ambitious, yet feasible," this has meant a package of tax cuts expected to be worth DM11.5bn. or more this year, accelerated public sector investments worth another DM6.5bn. and a total public sector deficit of some DM52bn. that pushes against the limits of what is constitutionally permissible.

In terms of monetary policy, Dr. Emminger and his colleagues can point out that interest rates are at their lowest levels since the mid-1960s, while on several occasions within the past few months they have made clear that no resumption of growth in West Germany is going to be allowed to falter for want of credit. Indeed, in its most recent monthly report the Bundesbank sounded a warning that, if anything, the present high level of liquidity is excessive, even given the recovery in demand for bank loans recorded in recent months.

Should economic activity pick up substantially faster than expected, the Bundesbank warned, there could even be a measure of inflationary pressure in this liquidity "overhang"—though the Government's forecasts show that prices will slow down to an increase of under 3 per cent. this year, thanks in part to the drop in dollar-denominated oil and other raw material prices when paid in D-marks.

So far there is little sign that the breath of wind is going to be felt, although the Bundesbank's economists have been among those commentators who apparently most impressed by



Dr. Otmar Emminger, president of the Bundesbank.

the upturn in such indicators as the industrial orders figures at the end of 1977. As most of the authorities agree, the uncertainties that weigh on the German economy are unchanged. On the external side these are the dollar's decline and the continued weakness of demand in German export markets, and on the domestic, the consequent reluctance of business to make major new investments, coupled with a concern at what may turn out to be a turbulent year for the country's normally placid industrial relations.

Guidelines

With all these problems at centre-stage, the Bundesbank has received few kind words this year for its continuing "experiment," now in its fourth year, of setting guidelines for the growth of the money supply. For 1978, it is once again publicly aiming at an 8 per cent. average increase in the central bank money stock (cash in circulation plus adjusted minimum reserves of the banking system). While final

Adrian Dicks

Sour year for the Landesbanks

THE 1970s have seen a rapid expansion of the Landesbanks business and influence both at home and abroad. But this exercise of formerly dormant power of the current decade has been marred by a series of scandals that has tarnished the image even of banks untainted by trouble.

However, until December last year things had been quiet for more than two years. The troubles of the past seemed to have been forgotten and the Landesbanks appeared to be getting used to growth without growing pains. This tranquility was shattered by the Telex message which clattered into offices of the country's leading newspapers just after mid-day on December 23 last year.

It announced the resignation of Herr Ludwig Poullain, chief executive of the largest Landesbank, the Westdeutsche, better known as the WestLB. The message was short but cryptic. Herr Poullain, it said, was resigning because of serious aspersions cast on his character. Though he had done nothing of which he should feel ashamed, he felt it was best to stand down.

Blunt

Unusually in a country where even the most brutal sackings are well orchestrated with a saccharine chorus of regrets, it took the WestLB's supervisory Board some hours to react. When it did so, its blunt statement was merely one of acceptance.

These were the skirmishing volleys in a Boardroom battle which by the time much of the dust had settled—and it still seems far from over—shook the Government of North-Rhine

Westphalia to the core and prompted the resignation of its Finance Minister. But apart from ruining two careers, including that of one of the most powerful banking chiefs in the Federal Republic, it served to reopen many of the Landesbank's old wounds.

The private commercial banking sector has never had much regard for the public sector Landesbanks, whose main job is to collect and redeploy that portion of the liquidity of the municipally-owned savings banks that is in excess of local requirements. Some also act as central banks to their State Governments and some are also Girocentral.

By any standards, the Landesbanks are very big. The WestLB's total assets are well in excess of DM75bn. and those of the Bayerische Landesbank are more than DM55bn. Even at the lower end of the scale they are still powerful. One of the smallest, the Badische Kommunalbank Girozentrale, has a balance sheet total of well over DM15bn.

The main criticism from the private commercial sector is that the Landesbanks—because of the access to long-term funds and their links with local State Government—offer unfair competition in the commercial domestic market—particularly in the property sector, where it could claim to have some of the international market much experience. It did not go far later than their commercial competitors, they do not have sufficient experience in overseas operations, nor are they subject to the discipline of having to satisfy private shareholders by operating at a profit.

It is true that the Landesbanks have much easier access to long-term funds than their everybody in the business was

Losses

Arguments that they lack experience, particularly in overseas business, are usually backed by examples of heavy losses reported by two of the leading Landesbanks for 1974 and 1975. In 1974 WestLB registered losses of about DM300m. on the foreign exchange, while in 1975 the Hessische Landesbank's share in the Savings Banks Association and the State of Hesse—were forced to make provision for losses—and are still powerful. One of the potential losses to the time of DM2.2bn.

There is no escaping the fact that these losses, by any measure, were huge. However, the WestLB's foreign exchange loss took place in highly unusual circumstances, while the Hessische Landesbank's enormous write-offs stemmed largely from soured business in the competition in the commercial domestic market—particularly in the property sector, where it could claim to have some of the international market much experience. It did not go far later than their commercial competitors, they do not have sufficient experience in overseas operations, nor are they subject to the discipline of having to satisfy private shareholders by operating at a profit.

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Telex 08882547, 08882679

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Tough competition in the commercial sector

THE BULK of West Germany's banks is in the hands of the public authorities or the co-operative movement. The combined balance sheet total of the Giro and savings banks, for instance, greatly exceeds that of the private sector. It includes the Federal Republic's largest publicly quoted banks.

Despite this the influence of the private sector is enormous. The commercial banks dominate the country's overseas banking business and take a decisive lead in the industrial lending field as well.

The reason for this is the Federal Republic's awe-inspiring universal banking system, which allows the banks a freedom of movement and a scope of operations unknown in Britain and the United States. West Germany, unlike the Anglo-Saxons, has not legally enforced the separation of investment and deposit banking functions.

As a result, the West German banks are able to offer a complete range of banking services under one roof. They act as a repository for savings, as stock brokers, as investment advisors and they provide industrial finance, as well as owning a handsome slice of the country's industry on their own account.

West Germany's system is an ideal one for a private or commercial banker, unfettered by the restraints and restrictions imposed on the public sector, and it is one of which they have taken full advantage. The banks have not been without critics—particularly their industrial involvement and their domination of the securities market—however, the government investigation into this aspect of their activities is reviewed elsewhere in this survey.

According to November's provisional figures published by banks

This power has led to complaints, particularly from foreign bankers, that the market is in reality heavily controlled and that the dominance of the big banks stifles competition. All is not, however, as it seems. The Landesbanks, which act as centrals for the savings banks, have been carving out a heavy slice of the country's foreign business, at the same time as drawing on a far more extensive branch network than that of the private banks.

The co-operative sector, which has an even greater number of branches than the savings banks, has also been fighting hard to push up its 9 per cent share of the German banking market. And it has to be admitted that the co-operatives and the savings banks, for whom profit is not a primary objective, sometimes have a competitive edge.

Where the savings banks and co-operative banks have been winning hands down is the savings sector. The commercial banks' network amounts to 6,103 branches—far fewer than the savings banks' 16,875 and the co-operatives' 19,279. The muscle of the savings banks is primarily in the cities and towns, while the co-operatives, which were established to supply a demand for agricultural finance, draw strength from the country. In spite of the greater number of branches, the co-operative banks control some 25 per cent of the nation's savings compared with the 50 per cent in the hands of the savings banks.

In the 20 years to 1976, the

death of their founder. Others were banks in name only that, under German law, are better run as investment portfolios. The private banks that suffered most were the ones that failed to change with the times—for instance those that tried to compete with the big banks for bread and butter business. An up in business volume and the example, although a number of private banks are still offering attractive facilities to the general public, their numbers are steadily declining.

The most successful of the private bankers concentrate on providing specialist services to large private and prime corporate clients. This is the area in which the private banker is frequently better placed to operate than the large commercial bank, whose services of necessity have to be more general.

West Germany's stock markets are important areas of operation for the private bankers. Some bankers trade on their own account, but the majority act as stockbrokers, investment advisers and portfolio managers. The larger private banks are also very active in the bond market, not only as advisers and traders, but in introducing new issues and as members of underwriting syndicates. Other areas of interest include investment advisory services—both domestic and foreign—merger and acquisition advice and the foreign exchange market.

Many that have shut up shop were scarcely more than one-man bands that closed with the

Landesbanks

CONTINUED FROM PREVIOUS PAGE

effectively finding his way over departments than their larger private commercial rivals, the Deutsche Bank, the Dresdner Bank, and the Commerzbank. As a natural corollary, this implies that the Landesbanks' specialists have broader areas of responsibility than their counterparts in the "Big Three" but the advantages of one system over the other are debatable.

The fact remains that the Landesbanks have in recent years recruited many good men from the commercial sector. One leading banker said recently: "Many young men think they offer a faster road to the top." Furthermore, Dr. Walter Seipp, the larger Landesbanks' deputy chief of the WestLB and head of its foreign opera-

tions, said: "Both as far as top and middle management are concerned, we have a large pool of highly experienced people in our foreign department. Indeed, we are perhaps getting to a stage of having too many up-and-coming young men for the jobs available." Dr. Seipp was himself recruited from the Deutsche Bank.

Academic

These arguments tend to become academic when one examines why the Landesbanks came into the overseas business in the first place. Most senior bankers point out that it was a natural process, partly stemming from their work in granting loans to exporters and partly a result of a desire of the savings banks to compete with an ever-expanding commercial branch banking system. As West Germany recovered from the devastation of the second world war, its export business started to pick up, generating a need for export finance. Originally loans were given to the exporter who passed them on to his overseas customer, but, with convertibility of the D-Mark, the role of financing the foreign buyer fell increasingly to the banks, and this formed an obvious basis for expansion.

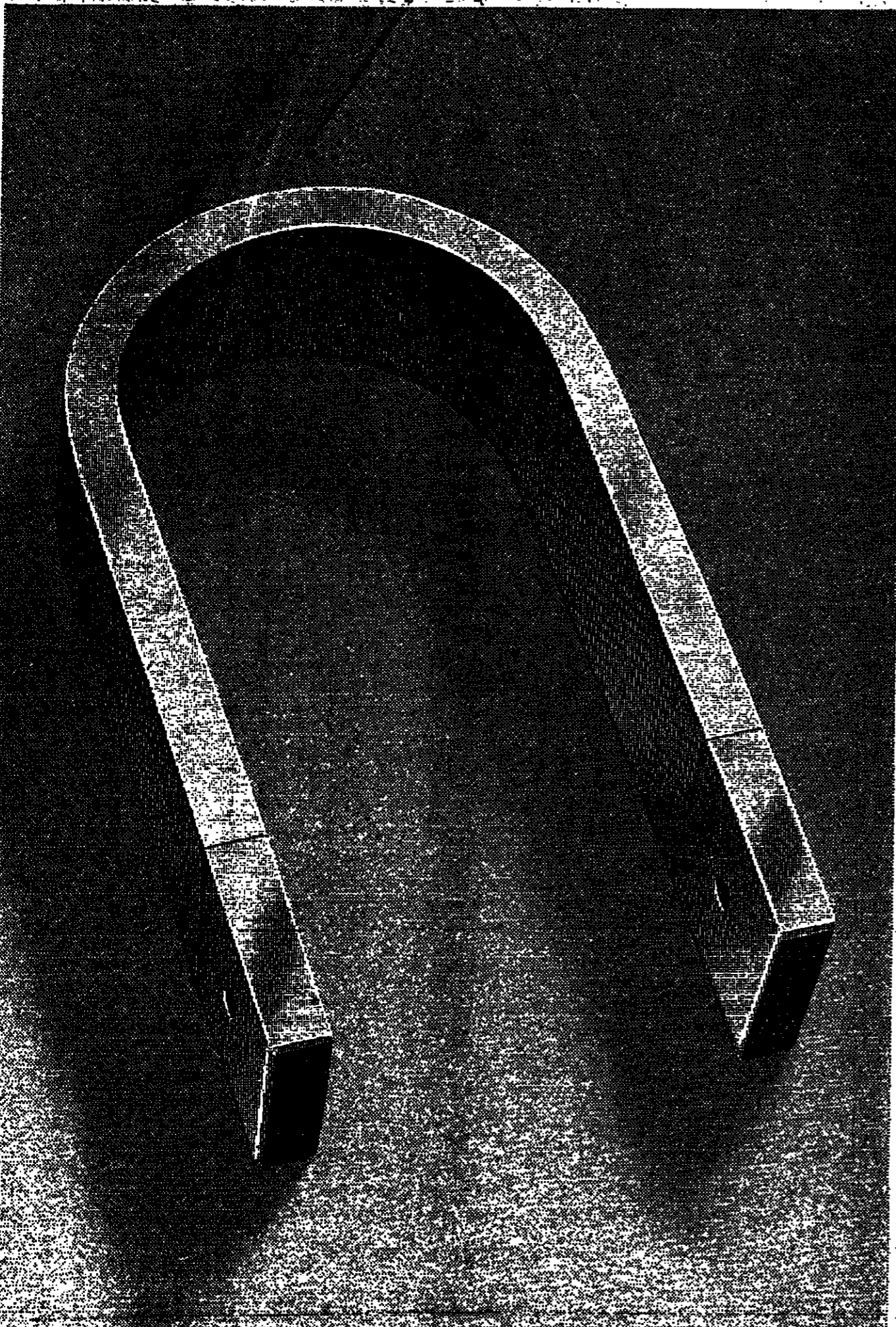
On the other side of the coin, the Federal Republic's 622 savings banks, with their 18,975 branches, dominated the savings market, but their industrial and

Guy Hawtin

It also seems clear that the Hessische Landesbank's difficulties, now coupled with the results of the Poullain affair, have served only to strengthen the hands of those on the Landesbanks' boards who advocate a strictly commercial approach to their business policy. The public sector, it would seem, is subject as much to market forces as the private sector.

While the directions of the Landesbanks is unlikely to change, it is fair to expect a slowdown in the rate of expansion of the larger banks' overseas business. But this is because the foreign business of banks such as the WestLB has reached such a level that previous growth rates are neither feasible nor desirable. Some 30 per cent of the WestLB's profits are generated by its overseas turnover, and it would surely take a saint-like sense of self sacrifice for it to turn its back on that.

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Sparkassen and Landesbanken in the Federal Republic of Germany



The Savings Banks Organization in the Federal Republic of Germany embraces 622 Sparkassen, 12 Landesbanken and 13 Bausparkassen. Their combined balance sheet total reached DM 687.7 billion at year-end 1977. This is the approximate equivalent of 40% of the total balance sheet of all credit institutions in the Federal Republic of Germany. The Savings Banks Organization is thus the largest grouping of credit institutions in West Germany. The importance of this organisation within the West German economic structure for the individual citizen can be illustrated by the following figures: In Germany the Savings Banks Organization has 62 million savings accounts, 1 million more than the total population of the Federal Republic and account for a total of DM 232 billion in deposits, which is approximately 53% of total savings deposits in Germany. DM 39 billion are held in the form of savings certificates which represent 72% of all savings issued by German credit institutions. Total turnover of the "Giro" network exceeded DM 6,000 billion during 1977 which is five times the turnover of the postal chequing service, and the construction loans of the Savings Banks Organization financed more than half of all new dwellings in the last year. Around 200,000 staff members are employed by the Savings Banks Organization and work in more than 16,950 offices located throughout the country ranging from big cities to small rural districts. They can be found wherever money is invested, credits are made available or money transfers are required.

The institutions of the Savings Banks Organization are in public ownership, which in turn fully guarantees the very existence of these financial institutions. These guarantees are provided for Savings Banks by local authorities and as far as the Landesbanken are concerned by the respective state authorities and Sparkassen within this region. The business of these Sparkassen, Landesbanken and Public Building Societies is conducted on the same principle as the entire free market economy in Germany. A prime objective of the Savings Banks Organization is to provide competitive service to all other credit institutions, i.e. the private commercial banks and co-operative banks which encompass all sectors of finance. This is of benefit to private individuals, enterprises and the public sector which have at their service—anywhere in Germany—banking facilities at competitive costs.

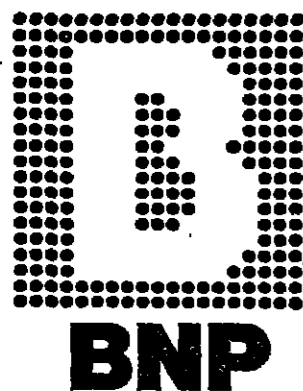
The specific character of the Sparkassen and Landesbanken is to be found in their legal framework established by the German states, whereby the banks must fulfil specific tasks.

These laws specify that Sparkassen have to concentrate on certain sectors of the economy which are of importance to the respective city or region. This assures that the necessary services—credits, investments and money transfers—are available. Sparkassen cannot seek more lucrative business in other parts of the country; hence they serve as a counterweight to possible market concentrations and thus guarantee even and broadly-based banking facilities in all areas and regions of the country. This was a primary reason for the economic up-swing in the Federal Republic of Germany following World War II. The main activities of the Savings Banks Organization are, for example, home financing, the financing of municipal investments, the trades and up-to-date credit facilities for private households. These services contributed substantially to a constant development of the German infrastructure which includes home building, roads, schools, hospitals, as well as business and retail stores.

At the same time, the credit institutes of the Savings Banks Organization have established a worldwide network with major business centres. Clients of the Sparkassen in the Federal Republic have business contacts all over the globe and in turn businessmen in all parts of the world seek German partners. The German Savings Banks network makes it possible for these contacts to be established with efficiency and speed anywhere in the Federal Republic. In this context, the Sparkassen work closely together with the Landesbanken. The Landesbanken are, in fact, the Central Banks for the Sparkassen and act as clearing houses for cashless payments by Sparkassen on a national level. Above all, they maintain close international links through a great number of their own branches and offices abroad as well as an extensive network of correspondent banks around the globe.

Finally, Public Building Societies (Bausparkassen) are specialised credit institutions that finance housing in the Federal Republic. Client members of these home loan associations become contractual savers who generate their own capital and who together with a loan granted under special conditions then have the necessary funds for home building after completion of their contract.

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GERMAN BANKING IV

Table 1:
WHERE THE LOANS GO
(Dm. bn. end-1976)

Total loans (excluding mortgages)	380
Manufacturing	119
Utilities and mines	28
Building	19
Distribution	65
Agriculture and Fisheries	27
Transport and Telecoms	51
Financial Institutions	7
Other	64
Mortgages	47
Grand Total	427

Source: Deutsche Bundesbank

Table 2:

LOANS TO MANUFACTURING INDUSTRY
(Dm. bn. end-1976)

	Total	Short-term	Med-term	Long-term
	119	59	13	47
Chemicals	12.9	5.6	1.6	5.8
Plastics, Rubber, Asbestos production	4.4	2.3	0.4	1.7
Stone extraction, Pottery, Glass	5.1	2.3	0.5	2.3
Basic metal production, Foundries	15.8	7.3	2.2	6.3
Steel construction, Mechanical eng. and Vehicles	25.1	11.6	3.9	9.5
Electrical Eng., Other Eng. and metal goods	19.9	9.3	2.2	8.0
Wood, paper, printing	11.7	5.5	0.9	5.0
Leather, textiles, clothing	10.5	6.8	0.6	3.1
Food, drink, tobacco	13.6	7.8	1.0	4.8

Source: Deutsche Bundesbank

Close involvement with industry

DO WEST GERMAN banks have too much influence over business and industry—and if so, what might be done about it? These questions are being faced by a committee set up by the former Finance Minister, Herr Hans Apel, as long ago as November, 1974. Its report should be ready this year and is awaited with widespread interest—and some trepidation.

The committee, grouping representatives of the Finance and Justice Ministries, trade unions, universities and the banks, has as its task the consideration of "fundamental problems in the credit sector." Behind that dead-pan title lie some highly sensitive issues. They include:

Should the famed West German "universal banking system" stay as it is—or should a division be made between credit business on the one hand and equity dealing on the other? Should the taking of stakes by banks in industrial enterprises be forbidden or at least restricted? What influence do the banks exert through their membership of company supervisory boards and through the "Depotstimmrecht"—under which they can exercise voting rights on shares left on deposit with them by the original owners?

This topic is touchy at the best of times. It is doubly so, with economic growth proving slow, around 1m. unemployed and strident calls from the Left to "direct investment" and create new job opportunities. Even moderate trade unionists are sometimes given to suggesting that if this is the best the "social market economy" can do then perhaps it is time to change it. And if change did come then, for better or worse, it would certainly involve the banks and their special relationship with industry which dates back to the start of the German State itself.

Co-operation

It is hard to imagine the take-off of German industry in the late 19th century without that close co-operation with banks which supplied capital, granted credit, nursed new branches into existence—in short, provided that universal service which has marked its activity ever since. The banking system was described at the time as "a kind of leader of the entrepreneurial spirit of the nation." In many ways it remains so—and what bankers may be heard asking somewhat bitterly, is wrong with that?

They have a point. The

universal bank offers a big in virtually all sectors. There range of services conveniently under one roof and allows the bank to spread its risks. That is close connection with heavy industry.

The savings bank sector (the central giro institutions and the savings banks) provide between a quarter and a third of the credit in all sectors. Within this general classification, the giro institutions made a speciality of credit to the chemicals and metal production sectors. The savings banks concentrate their credit operations on medium and smaller sized enterprises in branches including stone, glass, ceramics, wood and paper—as well as in trade.

The co-operative institutions specialise in virtually the same fields as the savings banks. The final point alone gives just one indication of the competition between the different banking sectors. But of course there is fierce competition within sectors too. True there was a reduction in the number of German banks between 1960 and 1974 by about a half, but that still left 6,350 battling for business—299 credit banks, 718 in the savings bank sector and 5,333 co-operatives. That does not rule out dependence by an industrial concern on a "house bank," but it does suggest that the "dependence" has not emerged for want of alternative sources of credit.

What other consequences flow from the provision of credit? The commission notes that not only do banks naturally seek all available information about the creditworthiness of their clients. They are also bound to do so under paragraph 18 of the German credit law.

As the bank increases contacts with its business clients, so its information and possibilities to influence grow too. The commission suggests that because banks have finance combined with wide-ranging and detailed information, they gain a competitive advantage over non-banks. There is thus a long-term tendency, the commission says, for stakes in enterprises of above-average worth to accrue to the banks. For the same reason the big banks tend to gain a competitive advantage over the smaller.

The commission looked at the top 100 German companies in turnover terms in 1975 and discovered that banks held stakes in 32 cases (23 of which were between 25 and 50 per cent.). True, the banks did not come first in the list as a stakeholder. The leading position—

believe it or not—is held by companies which themselves are members of the "top 100" (and in which, of course, banks regularly hold interests).

In no case did a bank have a holding of more than 50 per cent. in the "top 100"—in contrast to private individuals or families (13 cases) and foreign enterprises (19 cases). But at the other end of the scale the commission did find that the "universal bank" helped expand its business by taking over smallish concerns in fields close to its own (which, by definition, is wide). Between 1973 and 1975 it noted 82 mergers between banks and non-banks, most of them in service fields like land administration, leasing and consultancy.

What then of banking representation on company supervisory boards—which oversee the activities of the managing board and have the power to hire and fire members of it?

Insofar as it gained replies to its questionnaire, the commission found that banking representatives had a total of 7,399 supervisory board posts, supplying the chairmanship for joint stock companies in 226 cases and for limited liability companies in another 72 cases. Especially strongly represented were the big banks. They had a total of 483 posts, supplying the chairmanship for joint stock companies in 81 cases and for limited liability companies in 24 cases.

Hampered

As for the Depotstimmrecht, the commission was hampered here too by an incomplete response. But it estimated that a total number of 2,039 joint stock companies at the end of 1974, a single credit institute held 50 per cent. or more of the voting rights at 7 per cent. of the annual meetings.

The Monopoly Commission drew one key conclusion from its analysis. It proposed that banks should not normally hold more than 5 per cent. of the equity of a company, and if they did they should have no voting rights for the portion above 5 per cent.

Had this recommendation been in effect four years ago it would have meant, for example, that Deutsche Bank could still theoretically have taken its 29 per cent. stake in Daimler-Benz from the Flick group—but it would not have been able to exercise voting rights on 24 per cent. of it. (Deutsche Bank has since re-

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Kaiserstrasse 73
Tel.: 21 79-1
Telex 04-152 813

Limited scope for foreign banks

WEST GERMANY became something of a mecca for foreign banks in the late 1960s and early 1970s. They flocked to Frankfurt and, to a lesser degree, Düsseldorf, eager to teach the German banks a thing or two and grab a slice of the fast-growing economic miracle for themselves.

This, of course, is an overly cynical view, and, indeed, the British and American banking majors have long been established over here. But the attitude seems to have been prevalent among many of the smaller foreign banks that moved here before the start of the recession.

In 1957, according to Bundesbank statistics, some 15 foreign banks had established branching operations in the Federal Republic. By 1975 this had increased to 49, but hardly surprisingly this number remained static during 1976, but increased to 51 during 1976 after a year of dazzling German banking profits.

Greater

However, the number of foreign banks that only maintain representative offices in West Germany is far greater, although it is hard to put a firm figure. The representative offices have no obligation to report figures and all to the Bundesbank, and no doubt this spares some a good deal of public embarrassment about the quantity of their business.

At the end of November, according to the central bank's provisional figures, the aggregate business volume of the 51 branches of foreign banks reporting monthly to the Bundesbank totalled a shade under DM33bn. This indicates a marked drop in volume compared with November 1976, when 49 foreign bank branches reported a combined business volume of DM34.01bn.

These pickings are very thin indeed when compared with the bureau which oversees West total West German business Germany's banks, has a clear volume of DM1,746.5bn—less duty to ensure that the then 1.9 per cent—and the branches of foreign banks here

foreign banks' penetration of the West German industrial lending market is not a patch on that, say, of the U.S. banks in the British market.

Of the 49 branches of foreign banks reporting to the Bundesbank at the end of 1976, only one had a business volume in excess of DM5bn, while nine reported volumes in the DM1bn to DM5bn range. Eleven branches' volumes were between DM500m and DM1bn, and the remainder were spread between DM100m and DM500m. In view of the names of the banks established here, these figures are not particularly impressive.

Many leading banks content themselves with representative offices—the British-based Midland Bank among them. While, undoubtedly, some representative offices can confidently claim to generate more business than many of the branches, it seems clear that in a large proportion of cases the volume of business they produce is substantially lower.

There is a considerable argument over here as to whether it is better for a foreign bank to operate out of a branch or a representative office. One leading advocate of the representative office cause said recently: "Branches are more trouble than they are worth. There is a considerable amount of work involved in reporting to the Bundesbank. You are subject to German equity/credit ratios and there is always the Berlin supervisory office breathing down your neck."

As a representative you do not miss very much—a certain amount of foreign exchange business perhaps, and the theoretical right to deal on the stock exchange. Beyond that I do not believe that representatives are any the worse off and, in view of the fact that they have fewer bureaucratic headaches, they probably come off better."

Indeed, the Berlin-based West German business bureau which oversees West total West German business Germany's banks, has a clear volume of DM1,746.5bn—less duty to ensure that the then 1.9 per cent—and the branches of foreign banks here

comply with the Federal Republic's exacting banking legislation. This can cause difficulties.

For a start it insists that the person in charge of a foreign bank branch in the Federal Republic must speak adequate German. There have been cases of very well-qualified foreign bankers being refused permission to take over control of their branches because their command of the language was considered inadequate. American banks, among others, have been affected by this, as international banking qualifications do not, in that country, necessarily march hand-in-hand with linguistic ability.

While perhaps it is irksome for a senior banker to be sent back to the classroom, it has resulted in West Germany having a far greater proportion than most other centres of leading foreign bankers fluent in its mother tongue. Theoretically at least, this has given the foreigners a better chance to go out and get business. By no means as many people as the Anglo-Saxons so flippantly assume speak fluent English or French.

Having learnt his German, what are the business prospects for the foreign banker? Pickings for the small fry are not particularly good, according to many. One leading American banker said some time ago: "I just don't know what many of them are doing here. They must have sold their Boards back home a very good line."

Emphasis

To-day, of course, there is a very heavy emphasis on the foreign exchange markets and the international underwriting business. Frankfurt and Düsseldorf are very important Euro-market centres. At the same time many of the banks have sought to build up business lending to prime corporate clients.

West Germany, however, is the home of the universal banking system, and competing with the big domestic banks in their own home market is no easy business. Although this is not to imply unfair competition from the West German domestic majors, the market is a far harder one for a foreign bank to crack than, say, Britain or the United States.

The stock market plays a much smaller role in funding the Federal Republic's industry than in the U.K. or North America. The banks themselves have a heavy equity interest in industry, and many businesses would rather turn to the banks for finance than to the equity market.

Consequently, in few other countries are businessmen so closely bound to their bankers. Not only do they have a direct commercial incentive in keeping on good terms with their "house bank," but, through

Close

CONTINUED FROM PREVIOUS PAGE

distributed the holding—which it took to prevent the block of shares from passing into foreign hands. This in itself is a fair example of banking power.)

In its commentary last June on the Monopoly Commission report, the federal Government not only agreed that such a restriction of voting rights in future was worth considering. It also felt examination must be given to restricting voting rights on existing holdings.

The banks point to a series of factors which they feel are often misinterpreted. Because they hold stakes in industrial enterprises they can frequently bring about constructive mergers which would otherwise have been almost impossible to achieve. They have, of course, the *Depotstimmrecht*, but because the banks have the right to represent them, many shareholders gain a voice at annual meetings which they would not be able to attend in person.

Without that right the meetings might indeed be delivered into the hands of one or two big shareholders with special interests. As for supervisory board membership—bankers ask who better is available to sit on it. They hold the positions not just because of personal skills but because they have behind them the whole analytical and technical expertise of their institution.

This amounts to a defence not that the banks have no power—but that they use it responsibly and for the best. It will be interesting to see what the committee set up by Herr Apel thinks of those arguments when it reports back.

Jonathan Carr

years of close contact, strong loyalties have been built up. They looked after me in thin times and it would be wrong to turn my back on them in good times if they can still give me the service I want," seems to be the attitude.

No doubt these bonds are strengthened by the fact that bankers sit on the supervisory Boards of many companies whether their banks own equity in them or not. While it is hard to produce evidence for the assertion, it seems highly unlikely that the domestic banks considerable say in the way companies are run is not reflected in the corporation's banking policies.

Foreign banks from countries with a high investment stake in West German industry are probably better placed than most in the stiff competition for corporate business. The American banks with their lists of multinational clients have a better start than many. The British banks do not do badly in this respect either.

The smaller foreign banks tend to see the left overs, which though good enough in times of plenty, can leave them on short commons during downturns. The past few years have been particularly tough in this respect, with prime corporate clients slashing back capital investment programmes and channelling resources into much less cash-hungry rationalisation programmes.

Despite the gloomy tone of this article, there is still a prosperous future here for smaller foreign banks that show flair and imagination. It is, after all, pointless to offer exactly the same services as the large domestic banks and the major foreign competitors.

The natural area of competition for the smaller foreign banks in West Germany seems

to be with the private banks which specialise in offering tailor-made services for their customers. Here the foreign banker, with his intimate knowledge of his own home market, is more on even terms. However, it should be pointed out that those private banks that have survived and prospered in the climate of the extremely hard competition of the past 20 years have done so on merit and an intimate knowledge of their customers and markets. They are not to be easily beaten.

Venture

Perhaps one of the best examples of imagination that pays is the joint venture set up by Skandinaviska Enskilda Bank, the Nordic countries' largest private commercial bank, and the Bayerische Landesbank. While the Skandinaviska Enskilda can hardly be described as a small bank, it was relatively late in establishing itself in West Germany.

Instead of setting up a branch operation in order to carve itself a slice of German-Scandinavian trade, it opted for partnership. It was a marriage of convenience between its client list—there are 440 Swedish-owned companies in the federal republic—and its partners' cash. It offered a solution to the Swedes refinancing problems and gave the Bavarians easy access to the rich Scandinavian market.

After just under two years of operation, the joint subsidiary—the Deutsche-Skandinavische Bank—which has a nominal capital of DM40m, appears well on the way to goal of being the West German specialist in the Nordic countries. It is already returning very satisfactory profits, and its total assets have passed the DM1bn mark.

G.H.

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* preliminary unconsolidated figures as of December 31, 1977

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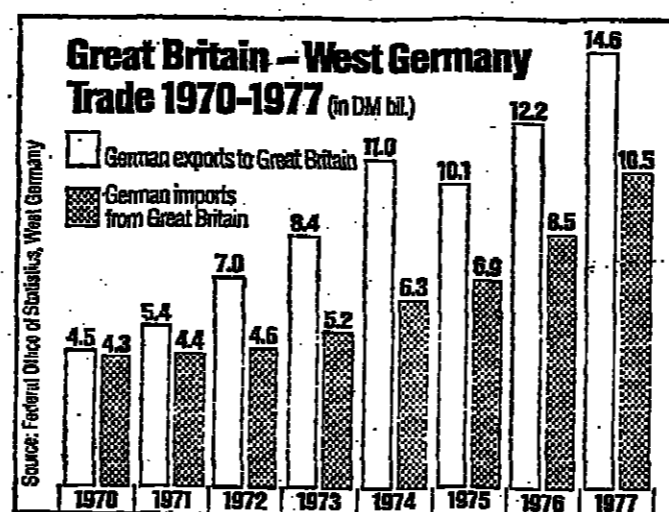
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GERMAN BANKING VI

Firm hold on capital market

THE BANKS ARE jealous of their position in the domestic capital market. Evidence of their determination not to yield their role as underwriters and managers came in January of this year when the big banks torpedoed an experiment by the Federal Finance Ministry to offer "borrowers' notes" (Schuldseine) by tender.

Torpedo is perhaps a bit harsh, but the standstillness of the banks certainly made the experiment less than a resounding success. The Finance Ministry was trying for the first time to offer the long-term paper without going through the standing Federal Loan Consortium, which normally sets the terms for borrowers' notes and the bond issues for the Federal Government and agencies.

The paper is primarily of interest to institutional investors (minimum investment is DM10m.). The Finance Ministry was offering 6 per cent. annual interest on a ten-year maturity, and expected to raise about DM1.5bn. through the tender. The final haul was just DM980m., and that at a price of 99.40 per cent. or about 0.10 per cent. below what most people had considered an absolute bottom price.

The Finance Ministry downplayed the decidedly modest success of the tryout, and the

banks denied that anything so mean as just preserving prerogatives was at stake. In fact, though, when the Finance Ministry the next month went to the consortium in the normal way, it had no trouble raising DM2.1bn. with the borrowers' notes.

In fairness, objective commentators noted that the price risk in a tender would have made investors cautious. The yield on the paper tendered was 6.08 per cent., or exactly corresponding to the current market conditions. Still, the banks certainly had not reason to encourage this independence on the part of the Finance Ministry, even less so as various "lender" governments were watching the experiment with interest.

Borrower

The Federal Government is the major borrower on the domestic capital market. Bonn had a net borrowing requirement last year of DM2.1bn. and this year's federal budget forecasts net borrowing of a record DM3.1bn. Net borrowing of all government entities this year is expected to soar to DM5.5bn. from DM3.2bn. last year.

In fact, public sector paper is practically the sole investment

in the German fixed-interest securities market, aside from mortgage obligations and communal bonds. The latter are issued by banks to re-finance construction and local government spending. In 1977, total net borrowing in the capital market was DM50.474bn. Of that, DM29.699bn. consisted of bank obligations, including the banks' own paper as well as mortgage and communal debentures. Public sector paper accounted for DM21.191bn. (with only a few new issues, redemption of mature industry obligations resulted in a negative balance of DM417m. in that sector's borrowing).

Industry borrowing is insignificant. The department store chain Kaufhof broke a dry spell of more than three years with a bond issue late in 1976. This was closely followed early in 1977 by new issues from Thyssen and the electrical utility VEW, and there was some hope that industry would return to the capital market.

The hope was short-lived, however. The economy grew stagnant and industry avoided the bond market despite a precipitous decline in interest rates.

This decline has been the most prominent feature of the German capital market in the past year. The Bundesbank's

computation of average yields on bonds in circulation showed a fall in public sector bonds from 7.3 per cent. at the end of 1976 to 5.5 per cent. in January of this year. Yields on other capital market paper paralleled this development.

February provided further indication of a downward trend, and most analysts don't think the bottom has been reached yet. The Federal Government came out with a two-tranche issue in the first half of February. An eight-year bond carried a coupon of 5.5 per cent. while a 15-year bond was offered with a 6 per cent. coupon. Both tranches were given an issue price of 99.75 per cent. but were trading above par even before their official listing. An offering from the Federal-owned Bank for Compensation Settlements later in the month extended the maturity on the 5.5 per cent. coupon to 20 years and came out at par.

Yield on ten-year mortgage obligations meanwhile slipped to 5.80 to 5.85 per cent. by the end of February from 6.10 per cent. at the end of January and 7.25 to 7.30 per cent. a year ago.

Bond prices suffered a severe drop at the end of February following the Swiss move to block sales of domestic securities to foreigners. Fears that

Germany might impose similar restrictions led to panic selling. But the losses were quickly recouped and when the Bundesbank Council failed on March 2 to take any new action, dealers reckoned the price rise would continue.

Impulse

The most recent impulse for the fixed-interest market has been the cut in savings account rates to post-war lows. The round of cuts in the past few months was a result of the cut in the Central Bank Discount rate in mid-December (to 3 per cent. from 3.5 per cent.), which in turn resulted from the pressure of declining capital market rates.

The rate on passbook savings accounts is now 2.5 per cent., which appears too low even for the savings-conscious Germans. The shift of savings funds into bonds that has been taking place over the past two years has accelerated in past months.

January, in fact, was a record month for new issues, as DM11.2bn. of new paper came into the market. Investment fund certificates also posted record sales of DM1.3bn., of which DM1.1bn. went for bond-based funds.

Added impulse is provided by

purchases from abroad. While most of the orders for German paper are directed through Switzerland, dealers here presume that funds being shifted out of France prior to the parliamentary elections in March account for a good part of the foreign demand. Some worry that flight capital now blocked out of Switzerland will spill over into Germany and bring some official intervention after all.

Domestic investors prefer fixed-interest securities to shares following the traumatic experience of the 1974-75 recession, when dividends were cut and such blue chips as Volkswagen and AEG-Telefunken passed the dividend. The double-digit coupons on bonds issued at the time converted those willing to invest at all.

Bankers are hoping that the drop in bond yields combined with the improvement in divi-

dend yields due to the corporate tax reform will divert more funds into the stock market. Stock prices did in fact receive a year ago, but of course higher than the 5.5 per cent. yield on new government bonds.

But private investors in particular shy away from longer maturities. The combination of higher yields and shorter maturities has made Federal Treasury bills (Bundeschatzbriefe) attractive. The interest is higher than on savings accounts and the bills can be sold back after one year.

So now there is talk among the savings and cooperative banks of offering savings certificates (Sparbriefe) with life spans shorter than the current four-year minimum. The idea here is to make some competition for the government and market. The Mexican Electricity Commission (CFE), for instance, announced at the beginning of March a ten-year issue with a provisional coupon of 6.75 per

Darrell Delamaide

Deep into share dealings

UBIQUITOUS might be a better word than universal to describe the role of German banks in the country's stock exchanges. Perhaps no better clue to the power of the universal banks in German economic life can be found than in the comprehensive role they play in the benchmark institution of the market economy.

It is not only that the banks underwrite new listings and share issues, or just that they serve as floor brokers and public order officials, or even just that they trade large blocks of stock on their own account or for their trusts or for the affiliated public investment funds.

Nor is the influence of the banks limited to the fact that most industry and corporate analyses are prepared by their economic departments or by the investment institutions related to them, nor that investment advice for institutional as well as private investors comes from bankers.

Aside from all this, the banks own a hefty chunk of the listed nominal capital—one estimate puts direct ownership at a nominal DM5.5bn. Top bank executives sit on the Boards of major industrial companies, not infrequently as chairmen. Also important is that practically all German shares, being bearer shares, are kept on deposit with the banks and the banks have the right—they say, the obligation—to vote these shares by proxy unless they receive instructions to the contrary from the shareholders. In this manner the banks control a further DM36bn. nominal value. Altogether, the banks control more than half the DM82bn. of shares in circulation.

In short, Germany's universal banks violate many of the most basic principles of Anglo-American philosophy on bank involvement in the stock exchange. The depth of their involvement controversy in Germany. At these times, the banks highlight the advantages of universal banking, soft-pedal the notion of influence and in general try to keep a low profile. Universal banking they defend as efficient and beneficial for the customers, noting that in England and America as well as other countries, the natural evolution seems to be in the direction of universal banking.

The argument seems eternal and certainly will not be settled soon. Meanwhile the private investor at least has the con-

venience of simply walking into his local bank branch, filling out (or just signing) a form to buy some shares. The money is automatically debited from his account and the shares automatically registered in his own deposit, for which he pays a modest fee. He will be duly notified of dividends, annual meetings, and any special business that arises.

But the prospect of higher dividend yields from the tax reform gives the stock market a helpful boost and bankers take every opportunity to remind the public of its benefits; they are also making efforts to keep the idea of capital gains alive.

A rather curious form of this promotion are the "Bourse Games" sponsored by German business publications. The monthly periodical Capital is launching one this month in collaboration with Commerzbank. The reader gets an account of DM30,000 "play money" to invest in selected stocks of his choice. Whoever makes the most out of his capital in three months wins DM20,000 real money. The weekly Wirtschaftswoche, working with Deutsche Genossenschaftsbank, sponsored a similar contest last autumn.

The banks also have lobbied heavily for some alteration in double taxation accords to relieve the "penalty" imposed on foreign investors, who do not get the benefit of the new tax credit but see the cash dividend cut. Special targets here are the tax agreements with Switzerland and the U.S., the two sources of most foreign interest in German shares.

The lawmakers specifically mentioned that some arrangement should be made for foreigners, but early negotiations have foundered. While there are no statistics for over-reporting so far to maintain or all turnover, foreigners purchased only slightly cut their dividends about one-third of new shares on the German for investors to shift into exchanges.

Before the new turbulence in currency trading set in at the middle of last month, stock prices almost topped last year's high. The Commerzbank Index of 90 leading stocks rose to 812.7 on February 10, compared with the 1977 high of 813.3 on November 17. Meanwhile, the Bundesbank statistics during December showed turnover in shares actually exceeding bond

D.M.

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The authorities are likely to be worse, however, if the authorities have been pleased by yesterday's banking figures, and not only because the clearers report an increase in advances to manufacturing industry. The figure which the financial markets were looking for was the eligible liabilities of the banking system as a whole, which gives an advance indication—even if a rough and sometimes seriously misleading one—how the money supply has risen during the same period. In the previous banking month, a rise in eligible liabilities of nearly 2 per cent. turned out to give advance warning of a jump in sterling M3 of 24 per cent.

There were, almost certainly, special factors at work. The tax rebate, for example, was concentrated in the banking month to mid-January: there were unusual difficulties about seasonal adjustment; and support of the dollar had its own contribution to make. Given the warnings so forcefully uttered recently by both Governor and Chancellor about the folly of boisterousness about a temporary divergence from trend, the markets might have relaxed.

The awkward fact remained, however, that sterling M3 had risen during the first nine months of the financial year at an annual rate of 14½ per cent., against an official target of 9-13 per cent. It would not be easy to get back into line in time.

Below 1½%

Whether or not the Government chooses to get back into line at all costs remains to be seen. It was a question recently raised in public, but not answered, by the Permanent Secretary to the Treasury, who pointed out that one had to balance the relative disadvantages of alternative courses, which were likely to vary from one time to another. But at any rate, the February banking figures are an improvement, with the rise in eligible liabilities back below 1½ per cent. The gilt-edged market, which had feared worse, gave a loud sigh of relief.

Even if the figures had been

The letter from MITI

MR. EDMUND DELL, the Trade Secretary, has won formal assurances from the Japanese Ministry of International Trade and Industry (MITI) which should, at least temporarily, end the outcry about the level of Japanese car exports to this country. The MITI letter is a first in a number of ways. It is the first time that a pledge to limit exports to Britain has been backed by an arm of the Japanese Government rather than just the motor industry. It is the first time, too, that the pledge covers commercial vehicles as well as cars. Besides that, it is notable that the Japanese share of the British car market this year should go down, in percentage if not in volume terms. In 1977 it was 10.6 per cent. Last January it was 13 per cent. Mr. Dell now believes that if the assurances are kept, it will fall back to a little under 10 per cent. for the year as a whole. In return, the Trade Secretary has apparently told the Japanese that he does not now intend to go forward with plans for any more formal restrictions on the import of Japanese vehicles.

Annual

The first reaction to all that is that it could have been worse. Voluntary restraints are preferable to import controls, though it is perfectly clear that the Japanese have been exercising some sort of restraint all along—otherwise their share of the British market could easily have been much higher. And yet even voluntary restraints are the thin end of the wedge. It is hard to see how once they have been introduced, they can be lightly cast off. Mr. Dell hopes that next year an agreement will be reached between the motor industry groupings of the two countries without the need for Government intervention. That might be so, but it would require a quite unexpected recovery by the British industry for the British side to abandon the case for restraints altogether. One suspects that

the haggle over the Japanese share of the British car market is becoming an annual event.

There is also an ominous sign in the way commercial vehicles have been slipped into this year's deal. The Japanese share of the British market for light commercial vehicles in 1976 was just over 5 per cent. In 1977 it rose to just under 8 per cent. But what the agreement omits to note is that some of these vehicles are of a kind which no British manufacturer produces, yet for which there is obviously a demand.

Reconstruction

The case of heavy commercial vehicles is even odder. The MITI letter states: "Heavy commercial vehicles (over 3.5 tons) will not be shipped directly from Japan to the U.K." The fact is, however, that such shipments have scarcely existed in the past. British imports of heavy Japanese vehicles last year amounted to 36, and they came from Ireland. It is difficult here not to see the entry of protectionism even before there is a call for it. It may be called a preventive measure, but it does not fit well with Mr. Dell's general preference for free-trade.

That said, it is now up to the British industry to take advantage of such restrictions as have been imposed. If the gap left by keeping the Japanese market share down to 10 per cent. is merely filled by more imports from Europe, it cannot expect much sympathy, and the Japanese complaints that they are being discriminated against will have been justified. Nor is it a matter only of supplying more of the British market: there is also the question of increasing exports. Britain's car deficit with Europe last year was much greater than its deficit with Japan. The U.K. industry is said to be undergoing a process of reconstruction: hence the need for the restraints on imports. But it cannot plead that indefinitely.

EVEN HIS most ardent supporters agree that President Jimmy Carter could do with a victory. Ten days ago, after the White House had persuaded the coal operators and miners to reach a provisional settlement to the three-month strike, there seemed a chance that he had pulled one off. But, as Edward Heath could have told him, miners can be troublesome.

Therefore, with the national coal settlement in ashes, and with the likelihood that the majority of the members of the United Mine Workers will defy the law and stay off the job, President Carter is suddenly faced with the toughest test of his leadership qualities so far in the domestic arena. While it is true to say, in defence of the President, that he has placed before the American public a whole series of hard issues that a more political or less brave leader might have ducked or finessed, it is also accurate to point out that the list of his achievements is not as long as it might be—and not as long as is considered necessary to satisfy a nation that, Vietnam and Watergate notwithstanding, still likes to watch a strong chief executive in action.

No easy choices

There is no doubt that, if he had had the choice, Mr. Carter would have preferred the miners not to become the litmus test of his leadership. As Mr. Jody Powell, his press secretary, recently noted in discussing the three courses of action open to the President—invocation of a "cooling off" period under the Taft-Hartley Act; seizure of the mines and compulsory arbitration—there is in every decision paper I have seen a much longer list of cons than pros for each one of them.

For many months now, the President's chosen battlegrounds have been two issues—ratification of the Panama Canal treaties by the Senate and congressional passage of the Energy Bill. There seems to be a good chance that he is on the verge of a significant political triumph on the first, which, if realised, will be a notable testimonial to patience, perseverance and persuasion. It may not be the sort of victory which, outside the western hemisphere, will attract the headlines, but domestically it counts for much, especially for a President who has been accused of political inexperience.

The progress of the Energy Bill has been much less happy, although the prospects of Mr. Carter getting perhaps half a symbolic loaf still exist. The President has tried the same subtle, almost deferential approach which baffles foreigners

but which seems to be working in the case of the Panama Canal. With energy it has been less successful and appears to have encouraged, rather than lessened, congressional delay and intransigence. However, it is increasingly probable that Mr. Carter will resort to unilateral executive action—in the form of levying additional duties on imported oil, for example—in the not too distant future.

But it is his handling of the coal strike which is the key criterion. Some critics have charged that the Administration woke up too late to the sheer intractability of the miners' dispute and that Mr. Ray Marshall, the Secretary of Labour, was too self-effacing to use the sort of influence his position gave him at an earlier stage of the negotiations. But this disregards a decision taken at the very highest levels of Government to give the collective bargaining mechanism its maximum chance—and to step in only when it had failed.

Fleeting, that intervention appeared to be successful. The pressure the Administration brought to bear on both the miners' bargaining council and the Coal operators in the last fortnight in February was an almost classic exercise in Presidential authority. The key manoeuvre of persuading the mine owners to accept a contract they were inclined to reject, in their determination to break the union, to turn down, was pulled off by the one acknowledged traditional politician in Mr. Carter's inner circle.

It was Mr. Robert Strauss, the Special Trade Representative. He felt no compunction about bringing to the attention of the steel companies, with their large captive coal subsidiaries, that the Administration had put into effect, and was quite capable of amending, a system of reference prices for imported steel which is designed to afford them a measure of protection against foreign competition. Whether suggested by Mr. Strauss or not the threat, two Fridays ago, that the President would go on national television to announce, presumably, a temporary Government takeover of the mines, served to concentrate the minds of the operators.

But it soon became clear that the miners themselves, whose confidence in their union leadership was entirely dissolved, and whose sense of injustice was aggravated by the anti-strike provisions and reduced social and medical benefits in the proposed contract, were in no mood to settle. Thus Mr. Carter found himself with his options curtailed. He might have coupled his invocation of the back-to-work Taft-Hartley Act with seizure of the mines, and did. Many of his decisions are taken privately. While it is true that Mr. Carter has en-



President Carter (left): his handling of the coal strike could cause a reaction of sympathy with the miners. Right-hand picture shows miners triumphantly carrying gifts of food received from farmers sympathising with them.



rather than the old contract rates of pay. But in the end he determined that it was the miners who were the principal obstacle, and therefore the miner's on whom the screws had to be turned.

It has emerged that Mr. Carter made up his mind quite early last week that his only recourse was to Taft-Hartley, the bane of the union movement, but did not communicate his decision to his closest advisers before the week-end. The reason, it is said, is that if he had passed the word on, last minute attempts to persuade the miners to settle would have been weakened. In fact, the incident speaks volumes of Mr. Carter's approach to the exercise of the presidency.

The President likes to think of himself as a rational man, the sort who, after much thought and study of the minutiae of a case, comes to conclusions which, since he considers them reasonable, all reasonable men should accept. Of late he has begun to modify some of his inclinations because of political considerations, but the visceral streak remains: thus "three martsini" business lunches are wrong and should not be allowed as a tax deduction, regardless of the political storms that such a relatively small financial saving might provoke. Many of his decisions are taken privately. While it is true that Mr. Carter has en-

couraged a collegial form of government, in practice his cabinet has rarely asserted itself either collectively or individually. Most of Mr. Carter's senior appointees are technicians and managers, that is what he wanted when he chose them to help make government more efficient and responsive. But it has also left much of the policy burden on himself, on Vice-President Walter Mondale, on his closest White House staff, and on individuals like Mr. Strauss. Mr. Carter's increasing reliance on the politically wise Mr. Strauss is evidence of his at least partial recognition that managers cannot do everything, particularly in Washington.

Supremely confident

The rational, non-imperial Carter remains the central force, supremely confident of his own intellectual abilities. As he has said on many occasions the one thing he dislikes is "crisis management," because it is the antithesis of a reasoned approach. The trouble is that presidents often thrive on crises. Even Mr. Gerald Ford, unassuming that he was, understood that a president sometimes had "to do something." His popularity was never higher than after he had sent marines to recapture the warship

MEN AND MATTERS

Rough water at the Palladium

This must be the moment for Townsend Thoresen to adopt a new motto: "There is no business like ferry business." After all, if you are carrying 600,000 cars a year across the Channel, why go hiring the London Palladium for a fortnight—especially when all you may get for your trouble is a metaphorical custard-pie in the face?

For readers who are not breathless fans of such entertainers as Perry Como, Diana Ross, and The Carpenters, I should explain that T.T. is sponsoring an all-star festival at the Palladium in the first half of May. The total outlay, a good part of which the company hopes to recoup by ticket-sales, exceeds £1m. The eyebrows-raising aspect is that, before you can buy a ticket for any of the shows, you first have to pay for a return booking to the Continent for a car and at least two adults by Townsend Thoresen. That will cost you at least £50.

The company's line is that it is doing its customers a good turn by giving them priority. But my inquiries show that there are enraging the public at large and the theatre ticket-agencies in particular. "It has been a bundle of aggravation from start to finish," said an executive of the Mayfair agency, Lacon and Ollier. "It has put the public's back up."

The manager of a leading Shaftesbury Avenue agency said: "The whole idea is amazing." He also had views on the prices of seats to see the stars—some of whom are being paid nearly £50,000 a night. "£20 for the front stalls for Perry Como!" he cried in fitting hysteric style. "And £12.50 for Petula Clarke. She was only £8 last year."



So, who had given the ferry-men the idea? I tracked down Len Castle, who told me he was a theatrical entrepreneur. He said that people who complained were "looking at it back to front." The fans would get the tickets, without queuing. Castle assured me that this was the "first of many" sponsored entertainments he was planning.

Townsend Thoresen have scattered leaflets far and wide about their promotion. They need to, with 50,000 seats to sell in such daunting conditions. I asked how sales were going. "It is a bit soon to say," a spokesman replied, then reiterated the argument that, but for T.T. sponsorship, some of the stars would not be visiting Britain at all this year. After March 31, T.T. would dispose of unsold tickets "at its sole discretion." Even those of us who don't want to buy ferry tickets? My question was quickly deflected.

The star on the first night at the Palladium will be Mike Yarwood. Perhaps he will give an impersonation of Townsend

Thoresen managing director, Brian Thompson, giving an impersonation of Lord Grade.

Ship shape

British Shipbuilders are set for a paint job now that Keith McDowell is moving to head its information services. He is moving from the Department of Employment, which could be useful background given the yards' problems. But he has had some other difficult jobs in the past, not least giving William Whitelaw a spruce image in Northern Ireland.

Whitelaw brought him back to London to be director of information at Employment. Whitelaw and the Tories of course soon went because of the miners but McDowell stayed on and has been a watchdog of the government's pay policy. His salary for his increased duties? "A modest increase," he told me.

Unsettled sect

The Middle East has seen its standards change since Sadat began but I never thought I would hear of Jews asking that a part of Jerusalem should be declared a Jordanian settlement. The demand comes from the Neturei Karta, a sect of some 1,000 faithful who believe that the Kingdom of Israel can only be re-established by the Messiah himself and thus regard to-day's Israel as a blasphemous, secular creation.

Their name means "guardians of the city" and they live in the Mea Shearim (Hundred Gates) quarter of Jerusalem. They spit and throw stones at women with bare arms.

During the fighting for Jerusalem in 1948 the Neturei Karta tried to surrender to the Jordanian legion. Since the 1967 war they have been unable to visit the Wailing Wall as they have pledged never to visit the holy sites in the Old City as long as this is controlled by the "Zionists."

But now they have a "solution." Three members of the sect are to travel on U.S. passports to Jordan, hoping to visit King Hussein. If he will declare their settlement a Jordanian settlement then they argue they can obtain his permission to visit the Wall.

Tricky twins

If you happen to be a long-distance runner or a laundry worker, Dynamo may be just the product for you. But make sure you buy what you want. Colgate-Palmolive are now marketing a liquid detergent with this brand name, even though Beechams have had their own Dynamo, an energy booster, for years.

There could be some mix ups ahead, with it seeming better to be a washing machine than an athlete.

Kindly thought

From the staff magazine of a Leeds company: "Although J. Edgar Hoover was always prepared to take a calculated risk in his position as chief of the FBI, it is said that he never ate any of the many delicacies sent to him by unknown admirers for fear that someone might thereby try to poison him. He gave such food to orphanages and similar institutions."

Observer

Staffordshire Potteries (Holdings) Limited

INTERIM STATEMENT ON THE GROUP PROFIT FOR THE SIX MONTHS ENDED 31ST DECEMBER, 1977
UNAUDITED ACCOUNTS

	Six months ended 31 December, 1977	1976
Group Turnover	£900s	£800s
	5,080	4,414
Trading Profit of the Group	403	365
Interest	27	48
Net Profit Before Tax	376	317
Taxation	34	52
Net Profit After Tax	342	265
Minority Interests	6	(1)
Profit attributable to Holding Company	348	264
Dividend—Interim	56	50
To Reserves	292	214
Interim Dividend per share (net)	1.265p	1.15p
Basic Earnings per share	7.85p	6.07p
Fully diluted Earnings per share	7.87p	5.90p

1. Interest for the current period has been reduced by interest relief grants received.
2. Taxation comprises overseas tax and advance corporation tax on the interim dividend.
3. Minority interests reflects the acquisition by the holding company on 1st July, 1976 of 6,358 shares and on 1st July, 1977 of 742 shares in Staffordshire Potteries (Canada) Limited thus increasing the Group participation in this company to 91.04%.

4. Holders of £42,710 of Loan Stock converted into 95,192 Ordinary shares of 25p each in December 1977 leaving £25,764 of Loan Stock still outstanding. Following on conversion of the Loan Stock the issued share capital is now £443,682 Ordinary shares of 25p each.

External sales for the six months ended 31st December, 1977 have increased by 15% to £5,080,000, with export sales showing a 33% increase to £1,817,000. Corresponding pre-tax profits have increased by 19% to £376,000. The slackening in demand in the U.K. due to the general recession at retail level has been mitigated to some extent by our healthy overseas order book. Although the Board anticipates a satisfactory full year's results the current rates of exchange for the £ Sterling may lead to some pressure on profit margins.

Our capital investment programme, the major part of which is now complete, has greatly improved manufacturing efficiency and will enhance the company's ability to remain competitive in principal overseas markets. The full benefit of increased sales from the expanded dinnerware production should be obtained in the autumn. The interim dividend will be increased by 10% to 1.265p per share and will be paid on 14th April, 1978 to shareholders on the register at the close of business on 28th March, 1978.



Tractors follow the world economic rut

BY ARTHUR SMITH

E.U.C., as the leading manufacturer of agricultural tractors in Western Europe, could expect to escape the downturn in demand from record levels of recent years. Unofficial estimates of the industry suggest that demand fell 16 per cent. of tractor output in the free world, including Japan, is supplied in Britain.

For Massey-Ferguson and Ford, two companies that have led the world in tractor production, the downturn in demand is a serious problem. Both companies have announced extensive cut-backs in production, with Ford's output falling by 15 per cent. and Massey-Ferguson's by 10 per cent. The companies are also facing a sharp decline in new tractor registrations in many of their major markets.

In the U.K., tractor registrations fell by 15 per cent. in 1977, the lowest level since 1964. In the U.S., registrations fell by 10 per cent. in 1977, the lowest level since 1964. In Japan, registrations fell by 10 per cent. in 1977, the lowest level since 1964.

The downturn in demand is a result of a combination of factors, including a general decline in economic activity, a decline in government spending, and a decline in private investment. The downturn is also a result of a decline in the price of tractors, which has led to a decline in demand.

Despite the downturn in demand, the tractor industry remains a vital part of the world economy. Tractors are used in a wide range of agricultural and industrial applications, and they are essential for the production of food and other goods.

BRITISH EXPORTS OF TRACTORS*

(In Units to Selected Countries)

	1975	1976	1977		1975	1976	1977
Belg.-Lux.	930	1,221	1,942	Australia	8,878	5,345	5,786
Denmark	2,967	5,908	4,498	Canada	5,092	3,947	2,729
France	2,181	2,116	2,801	Greece	2,093	3,425	4,747
West Germany	1,468	1,515	1,368	India	4,723	6,304	14,910
Irish Rep.	8,496	10,974	11,849	Japan	5,202	4,819	4,714
Italy	351	657	592	Libya	1,183	1,010	1,718
Netherlands	2,304	2,186	3,371	Morocco	501	1,415	1,468
EEC	19,669	25,497	26,421	New Zealand	2,993	2,516	3,448
Austria	2,792	2,478	2,370	Nigeria	1,515	1,141	2,141
Switzerland	5,513	4,354	6,713	Pakistan	5,761	10,272	7,686
Iceland	247	340	372	South Africa	12,423	6,165	2,933
Norway	4,805	5,155	5,543	Thailand	3,390	3,237	4,171
Portugal	1,180	2,787	2,519	Turkey	12,116	19,413	7,572
Sweden	6,652	4,743	3,930	U.S.	7,695	7,915	5,716
Switzerland	888	277	223	Venezuela	2,340	1,990	1,922
EFTA	22,057	20,552	21,670	Total exp.	136,289	140,570	126,077

* Farm and track laying tractors including used tractors. † Under investigation. Source: Agricultural Engineers Association

The world tractor market is fiercely competitive, with the multinational firms often negotiating direct with governments for the big contracts. The very size of such projects is another factor contributing to the uneven flow of new work.

The Japanese, with an annual output of around 250,000 units, have so far concentrated their attention upon the small horticultural-type tractors of up to 30 hp. Leading multinationals have made arrangements to market these vehicles in the West. The Japanese are beginning to show an interest in moving upmarket into the larger tractors, but are not regarded as an immediate threat.

However, incursions by the East European nations into the free world markets have led to a ripple of concern. Complaints have been made about the low prices of mass-produced models offered by Belarus, of the Soviet Union; Ursus of Poland; Zetor, Czechoslovakia; Univer-

strong Basilston work-force supplies engines and hydraulic equipment for Ford tractors world-wide makes it vulnerable to any general downturn in trade. More significant, Basilston is geared to supply "test beds" of the world's markets, with the Antwerp factory serving the more stable Common Market and the Michigan plant concentrating upon the United States.

International Harvester, partly because of its success in introducing a new range of tractors to comply with noise regulations, has increased its claimed share of the U.K. market from 7 per cent. in 1973 to 16.5 per cent. last year. An 18 per cent. reduction in the 1,700-strong work-force at Bradford is planned, largely to overcome problems posed by the loss of the Turkish contract. But at Doncaster, where 4,700 are employed on manufacture of tractors and other agricultural equipment, there were no plans to reduce manpower. Some £11m. of new investment was announced only last year for the U.K. plant.

The main question confronting all the manufacturers, though they are affected to varying extents, is how deep and how prolonged the current recession will be. In the important North American market, the average annual volume of agriculture tractor sales in the period 1966-1976 has declined at an average annual rate of 1 per cent. But within the total there was a move towards larger tractors: sales of vehicles of more than 80 h.p. increased at an annual rate of 1.7 per cent., reflecting the move towards fewer but bigger farms—a feature common to all the developed nations. Another factor increasing the value, if not volume, of sales is the demand for greater sophistication in vehicles. Technological advances have been made in areas such as hydraulics and transmission.

Reflecting the low farm commodity prices, unit tractor sales declined by around 9.7 per cent. in North America during 1977, and are expected to show a further 9 per cent. drop in the current year. In Western Europe, sales in 1976, at 340,000, were little different from the level ten years earlier, but fell last year and are likely to decline by a further 8 per cent. in 1978.

In Latin America the average annual 10.9 per cent. growth in unit sales continued into 1977, but is expected to fall by 6 per cent. this year. Performance depends largely upon Brazil and Argentina, both of which are currently suffering from rapid inflation, serious balance-of-payments problems, and credit restrictions.

It is difficult to generalise about the developing nations of Africa and Asia, but sales have tended to increase by around 13.6 per cent. a year: over the past decade. Despite a 3 per cent. fall in 1977 and continuing economic problems in important markets, like Turkey and Pakistan, an overall 2 per cent. growth is anticipated for the current year.

Against such forecasts of market trends, the mood of manufacturers at this stage is more one of uncertainty than concern. The present downturn is seen merely as a temporary, if inevitable, cyclical setback in an otherwise expanding pattern of world demand. In the developed countries, there is a powerful political impetus to raise agricultural output. For the industrialised nations, with their high labour costs, the drive to improve efficiency, yields and profitability will increase demand for expensive and more sophisticated tractors.

Letters to the Editor

Law and order

From the General Secretary, Labour Party.

Sir—Your correspondent, Mr. Christopher Radmore, who writes (March 4) on behalf of the Labour Party, has asked me to write to you on the subject of law and order. I am writing to you as a member of the Labour Party, and as a person who is concerned about the state of law and order in this country.

There is now a standard pattern: (1) find something that is frightening some people; (2) blame it on the Labour Government; (3) blame it on the Conservative Government; (4) blame it on the Labour Government; (5) blame it on the Conservative Government.

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Representing Rhodesia

From Mr. J. Gibbs.

Sir—The Foreign Secretary has, it appears, gone out of his way to ignore the Zimbabwe United People's Organisation which is led by Chief Jeremiah Chirau. Lord Carver, on his recent visit to Salisbury, refused to meet them. Dr. Owen chose not to deliver to them a copy of the revised, post-Malta Anglo-U.S. proposals. He has now excluded them from the invitation list to the United Nations headquarters in New York. All this despite the fact that it is the expressed wish of the Foreign Secretary to involve all interested parties in the discussion, and despite the fact that ZUPU has considerable following within Rhodesia.

I hold no particular brief for ZUPU, or its leaders, but I do know them personally, and know something of their qualities and abilities. Both Chirau and Kanyisa Ndweni—the vice-president of ZUPU—are chiefs, they are the senior (elected) Mashona and Matabeli chiefs respectively; the institution of chiefs pre-dates by many decades the advent of the Smith Government; and the role of the chief continues to be a very important one in the lives of the majority of Rhodesians.

Both Chirau and Ndweni have been in the law, and have been largely responsible for the abolition of much racial discrimination, as well as for considerable development in the rural areas. The Smith Government was moving too slowly, they resigned their posts and formed their own party. In the preparations for the "internal settlement," which were taking place already in the

first half of 1977, it was Chirau and Ndweni who took much of the initiative; in the more recent, semi-public, sessions ZUPU has played a full, and, sometimes vital, part.

If it is the Foreign Secretary's belief that it is the people of Rhodesia who should decide their own future, it is distasteful to the extreme that he should seek to exclude those who represent a sizeable section of the population. It is to be hoped, also, that the British media will give a fair hearing to this body of opinion. Your own African Affairs correspondent could help.

J. McK. Gibbs.
The Old Sematorium,
Clifton College, Bristol.

Democratic election

From Mr. R. Tremlett.

Sir—Ian Smith is handing over Rhodesia to a black democratic elected government on December 31. In doing this his hand has largely been forced by Messrs. Nkomo, Mugabe and probably a lesser extent a flagging economy. Mr. Smith has invited Mr. Nkomo and Mr. Mugabe to lay down their arms and take part in the democratic election.

This election and the black government that will follow it will give Zimbabwe everything that the freedom fighters claim to have been fighting for. The one fly in the ointment is that Mr. Nkomo and Mr. Mugabe know only too well that in an election they would be politically massacred. But having done all the work, they cannot now give full support and recognition to the coming black democracy. It seems likely that the black Rhodesians currently fighting for a black government in Rhodesia will go back home when the election becomes an established fact. Unless Britain and America support the new regime they could easily find themselves supporting a mixture of Cubans, Russian advisers and general chaos. This would not be a good thing for Rhodesia. Dr. Owen should worry Dr. Kurt Waldheim or Mr. Andriyenko, but it ought to worry Dr. David Owen.

R. A. E. Tremlett.
1, Love Lane, E.C.2.

Rent value taxation

From Mr. R. Grinham.

Sir—There is a great deal of difference between land and a Rembrandt painting (Mr. M. Brady, March 5). The latter was the product of human labour and is therefore a fit subject for personal ownership, but the land was made by no man, and its ownership by individual people cannot be justified at all.

There is another difference. Land is absolutely essential to human life and existence; no man can do without it. Paintings are not essential to human life, but think of the consequences if it is free! No one had to make it, every family was compelled (by its value) to have an original painting in its house. Quite a different prospect altogether!

Land is different from labour and capital in its economic effects. If labour does not work (and the advent of the welfare state) it starves. If capital goods are not used, an income (interest) is foregone and the capital itself depreciates. If land is held out of use, an income (rent) is foregone, but the land itself does not deteriorate. On the contrary, in normal circumstances, it increases in value.

Land price explosion

From Mr. T. Graves.

Sir—Surely Mr. Brady's suggestion (February 20) of restrictions on bank lending for the purchase of land would be impossible to enforce so as to significantly affect the prevailing price. In any case we hardly need more restrictions.

The practical and just answer is to apply an annual tax on land. The principal elements of this tax is that it is based on the annual value of the site, how much is a user prepared to pay for access to that place to the exclusion of other users—and it thus returns to the community as a whole exactly the value which the community has created. It reduces the purchase price of land to zero, as Mr. Brady (March 5) rightly asserts, thereby releasing into use acres which are now held out of use or in underuse pending profitable resale. It resolves the question of urban sprawl and centre city decay, and in its further implications goes a long way towards the creation of a just society in which enterprise is rewarded but "ownership" is not.

If Mr. Brady cannot distinguish land from paintings, it would be better to tax the latter than to dismiss this form of tax because of its effects on the value of land. Of course land is unique, but think of the consequences if it is free! No one had to make it, every family was compelled (by its value) to have an original painting in its house. Quite a different prospect altogether!

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The canal system

From Mr. M. Lusby.

Sir—I was very pleased to see the Financial Times devote three articles (March 2) to the situation—which has now been brought out into the open—regarding the appalling treatment of British Waterways Board by the Department of the Environment.

I would, however, take up the statement in the Editorial comment reference Ministers' reluctance to commit themselves to major expenditure for the small and declining commercial significance and which are largely and increasingly recreational.

Responsibility for the canal system being small and of declining significance (if indeed it is) lies wholly with the Ministry. It is they who have refused to assist and, in fact, placed obstacles in the path of progress. There is nothing wrong with the canals being largely and increasingly recreational—the increase, thankfully, may assist in some small way in keeping them alive and incidentally prove a source of income. Also, since when has sport or recreation been of so little interest to Governments, large advertising concerns, tobacco companies, breweries, car manufacturers, etc.? After all, the Government appeared to think it significant enough to create the post of Minister for Sport.

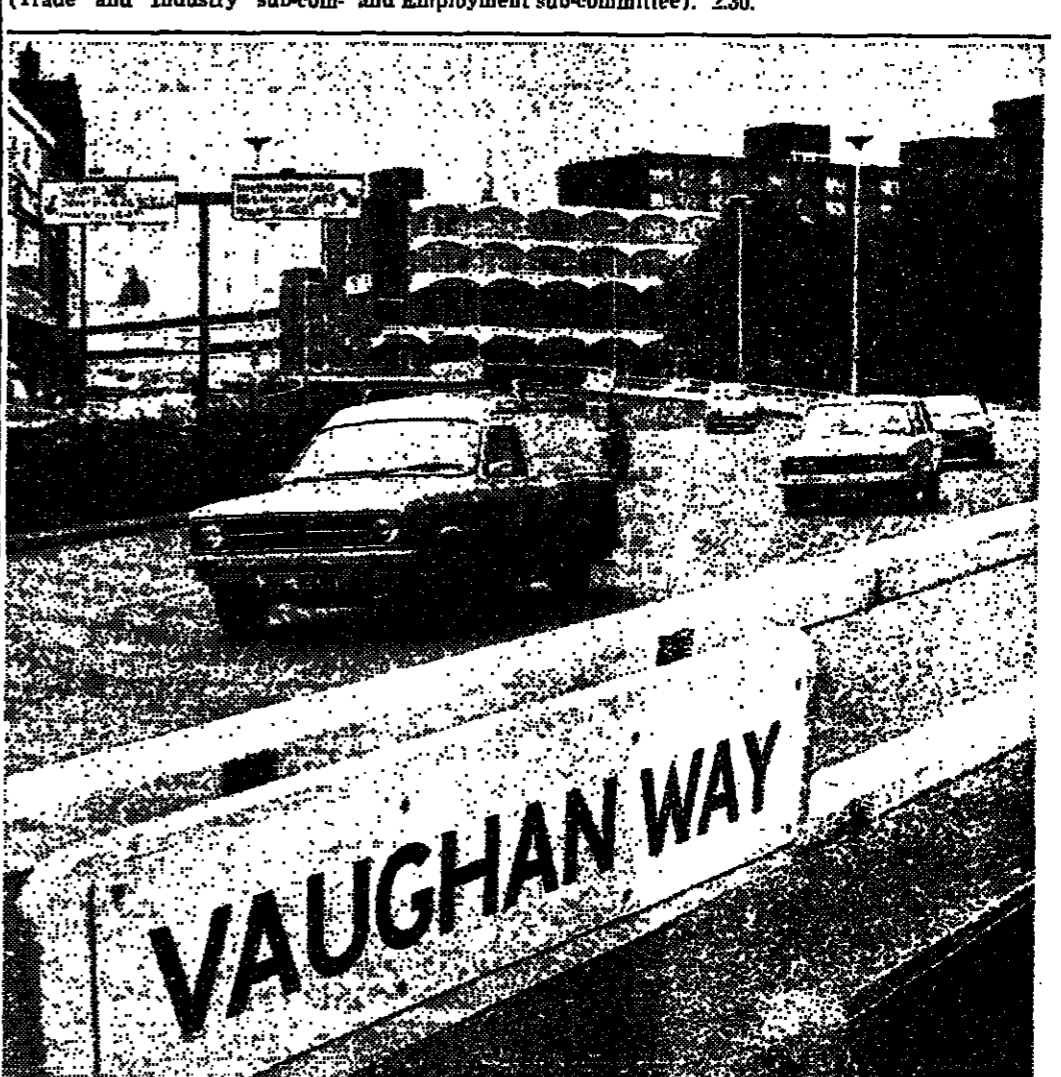
It is not too well known that to build a new canal costs less per mile than it does to build a motorway (and certainly does less to destroy the environment). Also, that to close a canal is more costly than to build one and the lack of maintenance situation that BWB has been forced into will, ultimately and inevitably, lead to this state in some instances.

M. D. Lusby.
12, North Hill, Fareham, Hants.

Staffing at No. 10
From Mr. A. Unsworth.
Sir—I was interested to read of a reduction of civil servants of 8,200 during 1977. Between 1974 and 1977 there was an increase of 7.5 per cent. The Prime Minister's staff had only increased by 4.04 per cent. during the same period. In a written reply in the House of Commons, the Prime Minister stated that the salary bill for his staff was £234,000 in 1974 and £485,000 in 1977. There were now 71 full-time employees compared with 48 three years ago.

To-day's Events

GENERAL U.K. balance of payments (fourth quarter).
TUC Economic Committee meets.
Dr. David Owen, Foreign Secretary, goes to Washington for talks on Rhodesia with Mr. Cyrus Vance, U.S. Secretary of State.
Agricultural safety and health report published.
PARLIAMENTARY BUSINESS
House of Commons: Wales Bill, committee.
House of Lords: Debates on parental choice in education; crime prevention; and Cyprus Select Committee: Expenditure (Trade and Industry sub-committee and Employment sub-committee), 2.30.



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COMPANY NEWS + COMMENT

Blagden & Noakes 15% ahead at £4.36m.

TURNOVER for the year to January 1, 1978, of Blagden & Noakes (Holdings) came to £43.4m., against £37.2m. for the previous 52 weeks and pre-tax profits advanced by 15 per cent. from £3.7m. to £4.36m. after £2.14m. (£1.69m.) for the first half.

The acquisition of W. W. Ball and Sons, was effective from November 18 and results include profit attributable to that company for the last part of the year. At the pre-tax level the net effect is £58,000 being profit of £104,500 less interest on money borrowed for the acquisition of £16,500.

Most of the group's activities showed significant advances over the previous year say the directors and only in the chemical division were the results disappointing. While chemical trading produced satisfactory results, chemical manufacturing activities suffered severely from the general downturn in demand.

The directors are very pleased with the initial results from W. W. Ball and opportunities for co-operation to mutual advantage are greater than had been originally envisaged.

In the document for W. W. Ball and with Treasury approval a second interim dividend of 8.175p per 25p share net (3.495p) will be paid making a total 12p (£1.250). Earnings are shown at 29.4p (27.2p) per share.

An analysis of turnover and trading profit (shows £100k omitted): manufactured and re-conditioned drums and casks £27.710 (£23.194) and £3,336 (£2,788); plastic engineering mouldings (including W. W. Ball and Sons) £2,540 (£1,317) and £341 (£82); chemicals £11,264 (£10,764) and £221 (£486); industrial protective equipment and electrical equipment £2,331 (£1,907) and £309 (£248). Holdings company expenses absorbed £13 (£22).

With a forecast of £42m. profit already on the table the actual figures from Blagden & Noakes, taken in a small contribution from the Ball acquisition, are much in line with market expectations. The only area to disappoint in an otherwise reasonable all-round performance, has been chemicals where manufacturing has faced a setback. This year Blagden is looking for some recovery from its chemicals division though at best it is unlikely to show much improvement on the 1976-77 profit of £48,000.

Meanwhile Ball could make £1m. profit, or £800,000 after financing costs, and one of the Ball subsidiaries, Toolchrome, a plant

HIGHLIGHTS

Lex looks at the results of Unilever, where pre-tax profits, down by 10 per cent. to £551m., are very much in line with market expectations which had discounted a flat performance in Europe. Lex also assesses the BSR results in the light of the weak demand trends in Europe and the currency movements which adversely affected the U.S. business in 1977. Comet has come back again for H. Wigfall with a revised offer and the implication of the latest banking figures are also discussed along with the likely outcome from next week's February money supply figures. Elsewhere Provident Financial's pre-tax profits have shown a sharp improvement in the second half, to take the full-year results up by a third.

A company, is thought to have a potential unrealised at the time of the acquisition. Blagden is spending £200,000 on that subsidiary alone this year out of a total spending plan of £2m. Meanwhile the steel drum business remains the backbone of the company. Demand for reconditioned drums is still good but given the state of the chemical industry growth this year looks limited. Still group profits could be around £5m. pre-tax. Meanwhile a p/e of 7 and yield of 8.9 per cent. looks fair value at 214p.

Record Ridgway sees £2m.

Speaking at yesterday's AGM of Record Ridgway, Mr. A. B. Hampton, the chairman, told shareholders that the directors are worried that sterling is being allowed to continue to appreciate against the major trading currencies with the consequent continuing erosion of the group's competitiveness in key export markets and the decline in the value of the dollar has made matters worse.

Mr. Hampton said that some 20 per cent. of the group's export trade is now invoiced in dollars and that on these sales the group is suffering a reduction in margins due to sterling appreciation and will continue to do so until selling prices can be adjusted. More seriously, he said, "in all other markets where we still invoice in sterling, the changing currency relationships have an immediate impact on the final price our customers have to pay."

For the current year, Mr. Hampton said that the U.K. economy remains depressed, there has been a significant reduction in the level of export orders, and the directors expect historic profits to be around the £2m. mark.

Mr. Mark Alexander, the chief executive, also announced that there is to be a major sales drive both in the U.K. and overseas.

1977-78	1976-77
Turnover	£43.4m
Trading profit	£4.36m
Interest payable	£1.17m
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Advance by Staffs Potteries

TURNOVER for the half year to end 1977 of Staffordshire Potteries (Holdings) expanded from £4.41m. to £5.08m. and pre-tax profits rose from £317,000 to £376,000.

The directors say the slackening in demand in the U.K. due to the general recession at retail level has been mitigated to some extent by a healthy overseas order book. Export sales for the first half were up by 33 per cent. to £1.52m. Although they anticipated a satisfactory full year's result the current rates of exchange for sterling may lead to some pressure on profit margins.

The capital investment programme, the major part of which is now complete, has greatly improved manufacturing efficiency and will enhance the company's ability to remain competitive in principal overseas markets. The full benefit of increased sales from the expanded dinnerware production should be obtained in the autumn.

First half earnings are shown to be up from 6.07p to 7.39p basic, and from 5.9p to 7.7p diluted. The interim dividend is raised from 1.15p to 1.265p net. Last year's total was 3.327p and pre-tax profits came to a record £1.05m.

The figures for minority interests reflect the acquisition on July 1, 1976, of 6,858 shares and on July 1, 1977, of 762 shares in Staffordshire Potteries (Canada) thus increasing participation in that company to 91.04 per cent.

Holders of £22,710 of Loan Stock converted into 93,182

Shares

Shares

Shares

Shares

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Shares

Ordinary shares in December 1977 leaving £25,764 stock still out of standing. The issued capital is now £4,443,602 Ordinary shares.

£9.54m. by Provident Financial

WITH TURNOVER rising from £152.4m. to £174.8m., pre-tax profits of Provident Financial Group advanced from £7.3m. to £9.54m. for 1977 after £2.08m. against £2.51m. for the first half.

Full year earnings are shown to be up from 8.58p to 11.1p per 25p share and the dividend total is raised from 4.408p to 4.573p net with a second interim of 3.2608p. A further dividend will be paid if the standard rate of income tax is reduced, say the directors.

After a desultory first half, Provident Financial's pre-tax profits grew sharply in the second six months and for the full year profits are nearly a third better. Although average short-term money rates fell by nearly a third in 1977, Provident's interest charge dropped by only a tenth and the bulk of the improvement in profits has come from better collections and a 15 per cent. increase in new credit extended.

For the first time since 1973 the amounts due from customers have increased but at £135m. the figure in real terms is still a far cry from its peak of £181m. However, the group is pursuing a much more conservative course than it did in the heady days of the early 1970s and its business is

venture

URTH-QUARTER profits down-
6 per cent, from \$123.9m.
5.4m, left the Unilever concern
h \$295.3m. and at the nine-
er at \$255.6m. for 1977 against
\$2m. for 1976. At midway
its stood at \$326m. compared
h \$295.3m. an end the nine-
ths, stage at \$255.1m. com-
94 with \$278.9m.

sales for the last quarter rose
5 per cent, to \$2.45m. for a
15 per cent higher at \$2.15m.
195m.), split as to Limited
9m. (\$1.37m.) and NV
9m. (\$1.65m.).

Attributable profits for the final
ter fell by 12.12 per cent, to
\$m. The full year result, 10
cent lower at \$257.6m.
\$6.7m.) was split as to Limited
9.5m. (\$1.65m.) and NV \$106.6m.
\$3.7m.

Full year earnings are shown
39.29p (77.2p) per 25p of capital.
Results for 1977 have been
culated at closing exchange
as for 1977 and 1976 figures
based on closing rates for
\$. On a comparable basis sales
uld have been by 11 per
t, on the year pre-tax profits
42 by 1977.

able profits down by 5 per cent.

Total results were influenced throughout the year by the effect of the change in the banding of UAC of Nigeria. Based on a comparison with 1976 figures it is to be expected that the effect of change, such as comparable change rates, sales for the year will have risen in value by per cent, while operating life for the year would have been by 6 per cent.

A final dividend of 12.12p is proposed on the 25p Limited issue for a declared total of 25p (10.55p).

The first instalment of the final dividend amounting to 7.64p will be paid on May 30 and the remainder, which together with deferred balance carried forward, will total 25.12p, to be paid when circumstances permit.

The final dividend is £15.16 or £120 of Ordinary capital for £15.58 (3.38) total.

The directors say that fourth ariter sales were higher but the increase in volume was negligible. Operating profits were above the use of the corresponding 1976 ariter but non-recurring items

The following companies have notified dates of Board meetings to the SEC:

[illegible]

were substantial. They include provisions for the costs of reorganisation in some companies.

	1997	1998
Recurring Sales	3,695	3,777
Limited	3,695	3,777
Operating Profit	3,695	3,777
Non-recurring debits	3,695	3,777
Trade investments income	3,695	3,777
Other income paid	3,695	3,777
Profit before tax	3,695	3,777
Associates' tax	3,695	3,777
Extra years' tax	3,695	3,777
Outside income	3,695	3,777
Attributable	3,695	3,777
Limited	3,695	3,777
Ordinary dividends	3,695	3,777
Limited	3,695	3,777
Retained	3,695	3,777

INCLUDING • \$116,751 release from the \$300,000 provision for bad debts. The company's 1974 net pre-tax profit was \$1,000,000, compared with \$1,000,000 for 1973. Robert Kitchen Taylor and his wife, Mrs. Kitchen Taylor, own and operate the company. It reports a turnaround from a loss of \$533,511 to pre-tax profits of \$1,000,000 for the year to September 30, 1977. The company has a net worth of \$1,600,000, and its 1977 pre-tax profit if the record profits of 1972/73.

At midway the recovery was from a deficit of \$300,571 to a surplus of \$116,636, and the directors said that further progress was expected. They now have a surplus for the year of \$1,000,000 in the current year. The liquidity position has been "substantially" improved, and funds have been channelled to those companies trading well.

The company's net worth for the 12 months ended 30.9.77 was \$1,600,000, compared with \$338,000, and the company took \$237,878 (£117,002), recording earnings per 10p share of 0.94p (loss 24.51p), and the company is returning to the dividend which it had suspended since 1974 (with a payment of 1p net).

Minority interests amounted to £42,552 (£154,946) and there were extraordinary credits this year of £1,000,000.

subsidiary R.K.T. Textiles achieved a profit increase from Rs 200 in 1992-93 to Rs 200 in 1993-94.

Against \$166,380, earnings per 10p share are shown to have risen from 14.66p to 15.55p. The net dividend declared is 4.50p, leaving the total payment from 4.52p to 4.60p. All operating sectors turned in increased profits, state the directors, and they report that a satisfactory year has been made to the end of the current year. A new company in the U.S. has made a good start, they add.

Rosedmond unchanged

Revenue for the year to January 31, 1978 of Rosedmond Investment Trust was virtually identical to the previous year, at £570, subject to tax of £1,733, against £128,498. Earnings per 25p share are shown as 4.18p (3.78p) and a

Net asset value at year end was 1.5p (64.4p) per 25p Capital



100

A high-contrast, black and white photograph of a textured surface, possibly a book cover or endpaper. The image is characterized by a dark, vertical strip running down the center, which appears to be a hinge or a fold. The surrounding areas are filled with a dense, grainy texture, with lighter and darker patches creating a mottled effect. The overall appearance is that of a close-up, high-contrast scan of a physical object.

Results:

Year to 31st October	1977	1976	%	
	£m	£m	Increase	
Trading Receipts	531.0	451.7	18%	Trading profit before taxation was £38m — 60% more than the previous year
Trading Profit	54.3	40.6	34%	Net value of shareholders' investment £183m comparing with a loan capital figure of £213m
Profit before Taxation	38.0	23.7	60%	Net cash position was £43.7m
Profit after Tax and minority interest	24.5	10.6	131%	Permission for the redevelopment of the Criterion site in Piccadilly Circus has been secured
Earnings per share	24.40p	11.75p	108%	The industry provides jobs for 1.3 million people in this country and is the fourth largest employer of labour
Dividend per share	8.2094p	7.35p		
Dividend cover	3.0 times	1.4 times		The results for the first quarter of the current year show an increase over the same period for the previous year.

Copies of the Annual Report can be obtained from The Secretary, Trust Houses Forte Limited, 1 Jermyn Street, London SW1Y 4UH.

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TER SHOWING a midyear fall in \$13,070 to \$12,200, pre-tax 26½ of BSR declined further the second half to finish the job at January 7, 1978, down 26½ to \$12,200. The company's other external sales of \$141,670, minus \$137,260.

Results were affected by a more less stagnant unit volume, increased costs which eroded margins, and a slight loss because the seasonal nature of the ship's business and the appreciation of sterling, particularly against the U.S. and Canadian dollar.

Stated earnings per 100 share for extraordinary items, fell to \$0.19 to \$0.34. The dividend was \$0.10. The company's 1977-78 net with a \$507,170 final dividend.

Mr. J. N. Ferguson, chairman, states that unit sales for the mid reproduction division for 1977-78 were down 10% for the year, are running slightly ahead those for the comparable period in 1977 but the order book is still very healthy.

more than recovered within the next two or three weeks. In North and South America are on par with last year's shortfall in the same market as in 1977—namely, U.K., rope and Australia. However, ties were increased in all markets at the beginning of the year. A further review will take place before the middle of 1978. In the consumer products division, the current level of sales is more or less the same as in 1977. There are encouraging signs for new orders from export markets for electrical products as well as holloware.

£101m. (£105.62m.) and £19.18m (£26.21m) from sound reproduction.

tion, with \$40.67m. (251.62m.) respectively, and \$1.25m. (23.06m.) respectively from consumer products. The demand reduction in the food and consumer products division, through sales in unit volume for North America were about 10 per cent. ahead of 1976-77. The demand reduction in the food division was eliminated by the shortfall in sales in other areas. Despite volume increase being the same for the two years, the sales of the food division were \$5.6m. and the effect of the depreciation in sterling during the year made currencies against their major currencies during the year. The sales of the food division were \$5.6m. and the effect of the depreciation in sterling during the year made currencies against their major currencies during the year. The sales of the food division were \$5.6m. and the effect of the depreciation in sterling during the year made currencies against their major currencies during the year.

exchange for the first six months particularly from the forward sale of dollars totalling \$2.45

of units, with 22,470 in 1976, 22,000 in 1977, while, in 1978, the unit was a loss of \$1,856. As this pound appreciated against the other currencies, particularly the U.S. and Canadian dollars.

Despite the action taken to reduce costs in Judge International, lack of demand resulted in the consumer products division losing \$1.2 million in 1978, just over \$450,000 for the year ended April 15, 1977, to the point where, in addition, because of the losses, the consumer products companies in this division had to incur much higher promotions costs as well as offer more competitive prices to retain their market share with the result that profit margins were much reduced.

There was charge to production for extraordinary items of 26,238,025 for the year, of which 22,553,967 represented a reduction

preliminary statement for the year ended 31 Dec. 1977

Further expansion in profit for 1977

	1973 £m	1974 £m	1975 £m	1976 £m	1977 £m
Pre-tax profit	2.68	3.11	2.29	4.27	6.87
Advances	60.6	88.9	146.8	166.9	189.4
Gross assets	440.0	452.2	470.3	494.6	531.9

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Unilever in 1977

The Directors of Unilever announce the Companies' provisional results for the fourth quarter and for the year 1977, and their ordinary dividend proposals. The results are subject to completion of the consolidated accounts and audit.

Exchange Rates

As has been our practice throughout the year the results for the fourth quarter and the comparative figures for 1976 have been calculated at comparable rates of exchange being based on £1=Fl. 4.18=US\$ 1.70, which were the closing rates for 1976. Profit attributable to ordinary capital for the fourth quarter 1977 has also been recalculated at the closing rates for 1977 being based on £1=Fl. 4.36=US\$ 1.91 which will be used for the Annual Accounts 1977.

The results and earnings per share for the full year 1977 have been calculated at the closing rates for 1977. The 1976 figures for the full year are based on the closing rates for 1976. The trends are therefore influenced by the changes in exchange rates during the year. For comparison purposes the trends have also been shown based on comparable rates of exchange.

Accounting Policies

As we explained in our previous 1977 quarterly announcements we have, in our reporting prior to 1977, made no distinction between associated companies, which are those in which Unilever has significant shareholdings and participates in commercial and financial policy decisions, and trade investments where it does not. The results of associated

companies have in total been immaterial and, therefore, such companies have been treated as trade investments with only income received taken up in the consolidated Profit and Loss Account. The sales and operating profits of associated companies and trade investments are not included in the Consolidated figures.

With effect in the consolidated accounts from 1st January, 1977 our shareholding in UAC of Nigeria was reduced from 60 per cent to 40 per cent and that company therefore ceased to be a subsidiary and became an associated company. Consequently, UAC of Nigeria sales and operating profit are no longer in the consolidated figures. After UAC of Nigeria became an associated company total results of associated companies became material and a change in accounting policy was required. As from 1st January, 1977, therefore, whilst the sales of associated companies continue to be excluded our share in their results is shown separately after operating profit.

The 1976 figures are restated on the new accounting basis: sales and operating profit for that year are unaffected but profit before taxation and profit attributable are increased by some 1 per cent over the originally published figures, due to the inclusion of our share of results from associated companies which were previously treated as trade investments.

Combined Results: millions

Fourth Quarter	1977	1976	Increase/Decrease		Full Year	1977	1976	Increase/Decrease	Closing Rates	Comparable Rates
2,480	2,286		+8%	SALES TO THIRD PARTIES—Combined	9,147	8,731		+5%		+11%
1,076	1,036			—Limited	3,958	3,772				
1,384	1,250			—N.V.	5,189	4,959				
136.5	134.1		+2%	OPERATING PROFIT	541.0	632.4		—(14%)		—(9%)
(13.5)	0.8			Non-recurring items	(9.2)	(9.9)				
16.1	3.9			Concern share of associated companies' profit before taxation	58.9	13.7				
(0.1)	0.8			Income from trade investments	0.9	2.2				
(13.6)	(5.7)			Interest	(41.0)	(27.6)				
(10.1)	(10.7)			Interest on loan capital	(43.0)	(41.1)				
(3.5)	5.0			Other interest	2.0	13.5				
125.4	133.9		—(6%)	TOTAL CONCERN PROFIT BEFORE TAXATION	550.6	610.8		—(10%)		—(5%)
(46.5)	(66.9)			Taxation on profit of the year:	(244.3)	(288.9)				
(7.9)	(0.3)			Parent companies and their subsidiaries	(27.8)	(4.7)				
0.6	9.9			Associated companies	(0.2)	6.9				
(0.6)	(0.4)			Taxation adjustments previous years:	(0.6)	(0.4)				
(4.4)	(5.8)			Parent companies and their subsidiaries	(20.3)	(37.0)				
(3.4)	(4.8)			Associated companies	(16.6)	(33.2)				
(1.0)	(1.0)			Outside interests and preference dividends	(3.7)	(3.8)				
66.6	70.4		—(5%)	Total concern profit attributable to ordinary capital	257.4	286.7		—(10%)		—(5%)
(4.3)				—Fourth Quarter at comparable rates						
				—Year at closing rates						
				Difference on recalculation of Fourth Quarter 1977 results at 1977 closing rates						
62.3	70.4		—(12%)	TOTAL CONCERN PROFIT ATTRIBUTABLE TO ORDINARY CAPITAL	257.4	286.7		—(10%)		—(5%)
40.9	47.9			—Limited	150.8	143.0				
21.4	22.5			—N.V.	106.6	143.7				
				Dividends on ordinary and deferred capital	(94.7)	(94.4)				
				—Limited	(31.9)	(30.4)				
				—N.V.	(62.8)	(64.0)				
				Profit of the year retained	162.7	192.3				
16.77p	18.97p		—(12%)	Earnings per 25p of capital	69.29p	77.20p		—(10%)		—(5%)

Results—Fourth Quarter

In the fourth quarter sales were 8 per cent higher than in the previous year but increase in volume was negligible.

Operating profits were 2 per cent above those of the corresponding quarter of 1976 but non-recurring items included in this quarter were substantial and caused profit before taxation to be 6 per cent down. Amongst these non-recurring items are provisions for costs of re-organisation in some of our companies, including our meat business in the Netherlands.

In the depressed European markets there was a small fall in volume. In the quarter the results in Europe of most of the consumer goods operations, edible fats and dairy, frozen products, detergents and toilet preparations were better than in 1976, but other groups fell short.

In North America profits were at about the same level as in the same quarter of 1976; those in other countries outside Europe showed a good improvement.

The Year

For the year as a whole sales rose by 11 per cent at comparable rates entirely due to higher selling prices. The first half-year showed a satisfactory growth but economic conditions worsened in the second half-year, particularly in Europe. The cold and wet summer also affected some of our businesses unfavourably. As a result, profits in Europe for nearly all product groups were below those of 1976 and margins remained unsatisfactory.

In the United States, Lipton Inc. achieved good results but Lever Brothers had a difficult year.

UAC International continued to do well and total results of other overseas countries showed an improvement over last year.

Interest earnings were down—mainly because of lower interest rates.

Total results were influenced throughout the year by the effect of the change in the shareholding of UAC of Nigeria. Based on a comparison with 1976 figures adjusted to show the effect of this change and at comparable exchange rates, sales for the year would have risen in value by 16 per cent, while operating profits for the year would have risen by 6 per cent.

Dividends

The Boards today resolved to recommend to the Annual General Meetings to be held on 17th May, 1978 the

Shareholders are reminded that for the purpose of equalising dividends under the Equalisation Agreement the United Kingdom Advance Corporation Tax in respect of any dividend paid by LIMITED has to be treated as part of the dividend. If the rate of United Kingdom Advance Corporation Tax is changed from the current rate of 34/66ths before payment of the dividend now recommended has been completed, the figures now announced will be adjusted accordingly and a further announcement made.

The Report and Accounts for 1977 will be published on 26th April, 1978.

7th March, 1978

BIDS AND DEALS

FT now taking over Investors Chronicle

BY ADRIENNE GLEESON

Prolonged negotiations over the sale of Morgan-Grampian of Throgmorton Publications, publishers of the weekly magazine Investors Chronicle, have broken down.

The joint owners of Throgmorton Publications, The Financial Times and IPC Business Press, had planned to sell the company to Morgan-Grampian for £12.5m. Now that the deal has fallen through, the Financial Times is to buy out IPC's 50 per cent stake in the company for £225,000.

Mr. Alan Hare, chief executive and managing director of Throgmorton Publications, said yesterday that there had been four or five points at issue between the parties to the proposed deal, but that the breaking point had come over Morgan-Grampian's desire for a three-year warranty that the FT would not expand into the field covered by Throgmorton's publications, which, in addition to the Investors Chronicle, include Money Management and the IC Newsletter.

There was a problem, he said, in defining the area covered by these magazines, which could include the whole of the City. While the FT had no specific plan for such expansion, they could not preclude such a development in the future.

Mr. Hare said that the FT had been prepared to pay a fairly heavy price for the IPC share, and that it was now backing Throgmorton Publications "100 per cent. We're going to make a go of it," he said. Throgmorton Publications will become part of the FT's Business Enterprises Division.

Mr. Graham Sherren, chairman and chief executive of Morgan-Grampian, said he was very sorry that the deal had fallen through. It was Morgan-Grampian's policy to run the best magazine in its field, and there was nothing else quite as good as the Investors Chronicle. Morgan-Grampian had, he said, no immediate plans to launch a business magazine of its own.

However, Mr. Victor Matthews, deputy chairman and chief executive of Morgan-Grampian's parent company, Trafalgar House, said that the group probably would launch a new business magazine. Morgan-Grampian, he

LON. PAVILION BID LAPSSES

The attempt by Mr. Victor Sandelson to take-over London Pavilion for £2.50 a share has failed. The offer, announced in January and subsequently rejected by the London Pavilion Board as "totally unacceptable," has been accepted by holders of only 517 shares, representing 0.38 per cent of the capital, and has been allowed to lapse.

A recent letter from the London Pavilion Board to shareholders said that the bid from Mr. Sandelson "offers to do nothing which they do not already enjoy."

YOUNG AUSTEN

In the formal offer document regarding the Trafalgar House agreed bid for Young, Austen and Young, the directors of YAY forecast pre-tax profits for the year to April 30, 1978, of about £550,000 compared with £483,000 the previous year.

Mr. D. Cunningham, chairman of YAY, comments that the offer is 31 per cent above the share price prior to the offer "furthermore this is after an increase from 87p to 60p during January, 1978, which was against the general trend of the stock market."

The directors intend to accept the offer of their 5 per cent shareholding.

Wigfall turns down new Comet terms

Improved terms from Comet Radiovision valuing Henry Wigfall at around £14.2m, were instantly rejected last night by the defending company and its financial advisers. A spokesman for Hill Samuel, while expressing surprise that Comet had bothered to increase the terms at all, said that the holders representing 45 per cent of the Wigfall equity who rejected the original bid would continue to oppose the new offer.

"The latest offer does not alter the picture at all as far as we are concerned," he said. Wigfall shareholders are now being offered seven Comet shares (valued at 104p each in the market last night), plus £20 in cash, for every ten Wigfall shares held. This places a value on each share of 27.2p, compared with the Wigfall market price yesterday of 19.8p and with under 150p prior to the first Comet bid which officially closed yesterday.

The level of acceptance to the first offer is expected to be disclosed to-day. Kishorw Benson, acting for Comet, said, however, that the response by shareholders had been "enough to encourage us to proceed."

Mr. Michael Hollingbery, chairman of Comet, said that the company was persisting with its offer because it would be "very good for Comet" and because Wigfall shareholders were being offered the highest price for their shares for five years. He also called on the trustees who make up a large part of the 45 per cent vote in opposition to consider "this very good offer."

The bid, which is not to be referred to the Monopolies Commission, has now been extended until March 22. Comet has said that its offers will not now be further increased.

Centreway offer raised to 'final' 48p

Centreway Holdings is to make a general offer for Blakey's (Wallable Castings) at a price of 48p a share. The offer, which will not be further increased by Centreway in any circumstances, follows the purchase of a further 75,000 Blakey's shares at 48p a share through the Stock Market. This brings Centreway's holding to 41.6 per cent.

Centreway made its original offer of 41p a share for the company in January, which was rejected by the Blakey's Board on the grounds that it was "totally inadequate." A document giving detailed reasons for rejection of the earlier offer said that a properly revaluation showed net assets per share at 58p.

THOMAS MARSHALL Thomas Marshall (Lorley), whose shares were suspended in January following a take-over approach, have issued a statement saying that talks are still in progress "which may, or may not, lead to an offer being made for the capital of the company."

The current market value of Thomas Marshall (Lorley), a manufacturer of Arceley refractories, is around £2m. Unicom Industries is known to be a major shareholder in the company, with a holding last September of 13.75 per cent of Marshall equity.

REDIFFUSION Rediffusion Limited, a subsidiary of BBT, has subscribed for 8,000 of Ordinary shares (40 per cent.) in Windsor Communications, a private company built up by Mr. David Burns Windsor who retains a 56.25 per cent of the capital. Windsor specialises in obtaining film and television programmes for use in secondary markets.

Mr. David Burns Windsor remains managing director and

Mr. Ronald M. Denay and Mr. Graham Binns, both of Rediffusion, join the Board.

EPICURE/SLEA The offer of shares of Epicure Holdings to existing shareholders of Epicure and to employees of Slea Holdings and its subsidiaries (now wholly-owned by Epicure) has been taken up as to 94.25 per cent. The balance of 5.75 Ordinary shares, has been sold at a premium of 4.75p per share and net proceeds will be distributed to shareholders entitled thereto.

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A member of the
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Medium Term Ship Mortgage Loan

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First International (Pacific) Limited
and
National Bank of North America

Funds Provided By
The Colonial Bank & Trust Co. (Cayman Islands Branch)
First International Bancshares Limited
National Bank of North America (Nassau Branch)
New England Merchants National Bank
WMS Capital Corporation Limited

Agent:



First International Bancshares Limited

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Entreprise Nationale Sonatrach

U.S. \$10,000,000
Medium Term Loan to
finance a Technical Assistance Contract with



Guaranteed by

Banque Extérieure d'Algérie

Managed by

First International Bancshares Limited
Lloyds Bank International Limited

Funds Provided by

Lloyds Bank International Limited
Canadian Imperial Bank of Commerce (International) S.A.
Bank of Tokyo and Detroit (International) Limited
(Formerly Western American Bank (Europe) Limited)
First International Bancshares Limited

Agent:



First International Bancshares Limited

MINING NEWS

De Beers income climbs to record levels

BY PAUL CHEESERIGHT

BACKED BY record sales of diamonds, De Beers Consolidated Mines yesterday announced unimpaired annual profits and dividends exceeding most optimistic estimates. As information about the figures leaked out in the U.S. during the afternoon, the share price advanced quickly.

Net profits for 1977 were R633.48m. (£378.9m.) compared with R537m. in 1976. At the pre-tax level, profits were some R100m. above market expectations at R888.1m. against R519.9m. the year before.

The final dividend is 35 cents (20.8p), making a total for the year of 32.5 cents. This is slightly more than had been expected and compares with payments of 35 cents for 1976.

In advance of the figures De Beers shares remained steady around their overnight level of 31p, but after hours, prompted by strong U.S. buying they moved up to 32.5p, just 1p underneath their 1977-78 high.

Investment income climbed to R169m. from R88.8m. Demand remained strong across the whole range of diamonds, showing that the market was able to absorb a price rise of 15 per cent last March without difficulty. And there is evidence that the latest rise of 17 per cent in December has also been absorbed from the way that stones have been selling at a premium of up to 30 per cent over the Central Selling Organisation price.

But diamond sales have been achieved without a marked running down of the cash value of stones held in stocks, while the cash balance has increased sharply to R633.1m. from R470.27m. at the end of 1976.

It was the large cash reserves held by De Beers which helped to prompt the re-arrangement in the Anglo American group last year, which ended up with De Beers increasing its stake in Anglo.

Anglo is still in an expansionist phase and the increase in De Beers cash holdings might lead to a further restructuring to make use of these reserves. The balance-sheet shows that De Beers long-term loans at R72.4m. were actually down on the 1976 level of R77.54m.

THE MALAYSIAN tin producer, Ayer Hitam, today announces a sharp and predictable reduction in half yearly profits. Net earnings for the six months to December were M\$2.74m. (£804,856) against M\$12.9m. in the same period of 1976.

Ayer Hitam is declaring a first interim dividend of 9 cents (19.8p) net of Malaysian tax at 40 per cent. In the year to June 1977, two dividends worth 250 cents net were paid.

The downturn in Ayer Hitam's fortunes has been caused by a

drop in production, a continuation of a trend which started early last year. This has been offset to some extent by higher prices received. The average net price of concentrate per point in the half to December at M\$884 was M\$330 more than in the corresponding period of the previous year.

There are similarities in the picture painted by the figures of Malaysian Tin Dredging, which was also released today. Net profits for the half year to December were M\$45.7m. (£273,572) against M\$55.6m. in the same period of 1976.

The interim dividend is 27 cents (6.5p) net of Malaysian tax, and follows payments for the 1976 financial year of 17 cents net of U.K. tax and 78 cents net of Malaysian tax.

In the most recent half, Malaysian had to spend more on the deviation of the Kinta River, and a larger part of this, compared with the December 1976 figure, was attributable to the relief. The company has also had to cope with a higher incidence of Tin Profit Tax without gaining any surplus on buffer stock transactions.

In London yesterday, before the results were known, the shares of both companies traded quietly. Ayer Hitam closed at 28p and Malaysian at 28p.

Meanwhile, output of tin concentrates at the Gopeng Consolidated mine in Malaysia last month shows a modest improvement on the previous month's figure which was affected by flooding and electric power shortages. However, the five months running total of 284 tonnes is still well down on the same period in the previous year which came out at 312 tonnes. Gopeng's production and those of the other mines in the group have been considerable, as accompanying table:

Feb. Jan. Dec. tonnes tonnes tonnes

Gopeng 128 122 121
Tanjong 28 118 18
Jaya 44 38 21
Panglima 5 22 8

The State-owned Industrial Development Corporation with Chinese assistance. The Chinese have advised the establishment of mini steel mills in the area and are apparently ready to assist technically and financially.

The Zambian Government has reached agreement with Anglo American of South Africa and Jardine Matheson, the Far East trading company, for a joint venture to mine, cut and polish emeralds. The Government will hold 70 per cent of the equity, it was reported in Lusaka.

Hunting Geology and Geophysics of Borehamwood has been awarded a contract by a state agency in the Malagasy Republic for airborne geophysical surveys as part of an assessment of national resources.

MINING BRIEFS
GEVOR TIN—February output: 16,588 tonnes are treated, produced 30 tonnes Bisc tin (43 per cent. Sn) including 8 tonnes low grade concentrates. (January output: 34 tonnes.)

PETALING TIN—February output: 27 tonnes (January 26 tonnes).
SAGIT SURAB—January production of tin concentrates: U.K. (tonnes treated) 18,970, 171 tonnes (79 per cent. tin metal) (January 1976) 20 tonnes (January 20 tonnes). Thailand 38 tonnes (January 33 tonnes).

ROUND-UP
Iron ore reserves of more than 10m. tonnes have been found in Baluchistan. Pakistani Government sources said in Quetta. Exploration work was carried out

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Financial Times Wednesday March 8 1978

Pulp prices hold back Inveresk

Deducting \$500,000 for the estimated effect of the exceptional fall in pulp prices during 1977, there has been a slight improvement in the trend of demand most of the group's products.

At mid-year when no such debit was made the advance was from \$281,000 to \$302,000. Sales for the year rose from \$51.71m. to \$70.52m. and profit was struck after depreciation of \$1,053,000. (\$347,000). Interest \$280,000 (\$282,000), rationalisation \$149,000 (\$276,000), and included income of \$231,000 (\$272,000). In 1976 profit on the sale of Georgia-Pacific Corporation contributed \$428,000.

Tax took \$233,000 (\$390,000), for stated net basic earnings per share of 8.2p (7.2p), all basic of 10.5p (8.5p) and fully diluted of 7.5p (6.5p). The net final dividend is 3.4125p for a 4.7900p (4.335p) total, costing \$914,000 (\$1,135,000). Minority profits were \$24,000 (\$8,000) and \$391,000 (\$438,000) was retained.

Commenting on the results, the directors say that they have achieved a year of difficult economic circumstances and weak trading conditions in the second half. The earlier encouraging improvement was reversed rather suddenly and the resultant lower level of demand persisted for the remainder of the year, reflecting the slight decline in U.K. economic activity. There has been some reduction in customers' inventories during the second half of the year. Export sales showed a good increase from \$2.4m. to \$3.5m.

A feature of the year, which particularly dominated the first quarter, has been the considerable reduction in the market price of woodpulp, the principal material, which is sold in U.S. dollars. In addition, the strengthening of the exchange value of the pound against the U.S. dollar further reduced the sterling cost of pulp. This enabled profit margins for some products to be restored to more acceptable levels.

Some stock losses, however, were incurred, and pressures on the selling prices of most grades of paper have been considerable. In some market sectors this price weakness developed prior to the reduction in pulp prices. There has been an increase in imports at low prices from France, West Germany and traditional Nordic producers. In spite of these difficult economic factors, most group mills produced encouraging results.

Demand for converted packaging products continued to be firm during the first half but declined slightly during the second. There are now indications of some revival in call-off by customers. The demand for stationery, both manufactured and distributed, began to show some slight but steady signs of revival during the second half. The stationery activities together produced an encouraging contribution to profit.

Since the beginning of 1978 pulp prices have stabilised and there has been no significant variation in results.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

DOMESTIC BONDS

Capital inflows dominate markets

BY JEFFREY BROWN

THE TASK of mopping up excess liquidity continues to dominate domestic bond markets in the major European centres against a background—in Germany—of speculation that the authorities are about to mirror the recent Swiss measures and tighten their control over the inflow of foreign capital.

In Frankfurt markets are holding very steady despite a welter of new paper, culminating yesterday in a massive DM1.7bn. tender by the banks for the new three and four year issues in Kassensobligationen. The new ten-year bond unveiled yesterday by the Dutch government is also expected to attract heavy demand.

Dealers in Frankfurt have begun to notice pockets of profit-taking but this has yet to affect overall sentiment. The most recent government funding—split tranche bond of eight and 15

years—stands currently at a premium of over 1½ points, and at this stage there is no suggestion that the market is about to slip backwards.

It is clear that the intense currency uncertainty that has so far marked 1978 has turned Frankfurt into something of a sellers market. In massive trading volume interest rate differentials have been largely ignored as investors have scrambled for a hard currency assets against a background of persistent movements in the D-Mark exchange rate in favour of Germany.

The latest consumer price index has taken the inflation rate for one month down to 3 per cent. from the 3.2 per cent. of January. But the sharp upward movement last month in the money supply in Germany is an obvious inflationary headache for the Bundesbank which has

been to create a mammoth amount of new currency in recent weeks

in support of the dollar. A snap poll yesterday of bond dealers suggested, however, that any package of measures from the Bundesbank aimed at stemming the inflow of foreign capital into Germany would be less stringent than the recent Swiss measures.

The major trading bet was for controls on foreign borrowing by German industry coupled with a modest cut in the official discount rate. It is the latter prospect that has underpinned average bond yields at present of just 5½ per cent. for seven year issues. This was also responsible for the tightness of the terms of the tender in Kassensobligationen where minimum yields 4.4 per cent. and 4.8 per cent. respectively were offered on three and four year paper.

The latest funding by the Dutch government is another 7½ per cent. loan this time running for ten years compared to a 15

year maturity for the January issue. The terms surprised many dealers and are noticeably generous. As a result demand should comfortably match the

previous issue. In Switzerland the long awaited offering by the City of Zurich finally emerges as a 3 per cent. issue with a maturity of 13 years. This represents a quarter point cut in coupon against the previous offering of 3½ per cent. but with traditional caution the authorities have reduced the life of the loan from a widely expected 15 years.

Already struggling to digest the latest central bank measures, financial markets in Zurich were further unsettled late yesterday afternoon. The equity market closed with a decline of 8 per cent. in just five trading days, and both foreign and domestic

bond markets were noticeably

O and K circumspect on prospects

By Jonathan Carr

BONN, March 7. A STRONG rise in carried turnover of the parent company of Orenstein and Koppel (O and K) past the DM1bn. mark (\$2bn.) for the first time. But the Dortmund-based engineering and construction company is circumspect about prospects for this year, in view of the continuing rise of the Deutsche Mark.

The parent's 1977 turnover totalled DM1.01bn.—an increase of 15 per cent. against the previous year. The company notes the rise was due exclusively to growth in exports which now account for 62 per cent. of sales against 55 per cent. in 1976.

The company is a major manufacturer of construction machinery and this year's registered the biggest sales growth last year—followed by the fork-lift trucks division. O and K group turnover (including foreign affiliates) rose only modestly to just over DM1.1bn.

The orders intake last year totalled DM870m.—55 per cent. of it from abroad. Orders in hand at the end of the year were worth DM770m. The company makes clear that proceeds from the sale of the orders gained in the shipbuilding sector will not cover costs—a reflection of the bitter competition from foreign yards, often state subsidised, for slim business.

The company gives no profit figure yet. It simply says it should be able to produce a result going far to satisfy the expectations of its shareholders.

Deutsche Marathon Petroleum sale

DEUTSCHE Marathon Petroleum GMBH, a subsidiary of Marathon Oil of the U.S., has sold its 40 per cent. interest in Erdöl-Raffinerie Mannheim GMBH to Wintershall AG.

Erdöl-Raffinerie, which owns and operates a 5.6m. tonne per year refinery in Mannheim, was formed in 1961 as a joint venture between Wintershall and Marathon, with Wintershall owning 60 per cent.

Marathon Oil reports that the sale will increase its first-quarter earnings by about \$10m., or 33c. a share.

Agencies

Margins up at Ballast-Nedam

BY CHARLES BATCHELOR

AMSTERDAM, March 7.

BALLAST-NEDAM, Holland's third largest construction company, reported a 40 per cent. rise in net profit in 1977 on marginally lower sales.

News of the sharp rise in profits comes only a fortnight after the announcement that Mr. Pieter Heerema, a Dutch businessman, had acquired about 50 per cent. of the company's share capital.

Net profit in 1977 was Fls.17.8m. compared with Fls.12.5m. the year before and Ballast-Nedam's earlier forecast of Fls.16m. Sales fell to Fls.1.2bn. from Fls.1.24bn. The company is to raise its dividend to Fls.4.4 per share from Fls.4.0. Profit per share rose to Fls.13.80 (Fls.13.30) from Fls.12.5m. (Fls.12.0m).

Cash-flow fell to Fls.47.7m. from Fls.50.6m. due to the decision to set a large part of its Middle East investments against work in hand from January 1977. This led to a lower depreciation

charge. Order books rose to Fls.5.5bn. from Fls.1.3bn. largely due to a Fls.4.7bn. order from Saudi Arabia to build several townships.

Mr. Heerema announced his sizeable stake in Ballast-Nedam's capital on February 24 shortly after the private placement of

Fls.5m. of new capital with Minerva Holdings. Minerva was originally thought to represent Arab interests but was in fact operating for Mr. Heerema's Antillian holding company.

Antillian Holding made its purchases on the stock exchange over a long period.

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Slowdown at Ferodo but payment raised

By David White

PARIS, March 7.

THE leading French motor parts company Ferodo saw its growth rate slow last year and parent company net profit drop back from Frs.83.1m. to Frs.59.1m. (Fr12.5m.). It has made a gesture of confidence, however, by proposing a Frs.1.90 increase in its dividend to Frs.20.70 (excluding tax credit), a slightly sharper rise than last year.

Sales rose by 8.5 per cent. to Frs.1.87bn. following a 25 per cent. jump in 1976. The trend to build up the main lines are electrical accessories and clutches, was however ahead of the motor industry as a whole.

Last year's car output in France, though beating expectations and reaching a record of over 2m., grew by under 4 per cent. after 17 per cent. the year before, while the lorry sector has been in the doldrums. Although the French car and heavy vehicles companies are party to its direct exports continued to grow last year and slightly increased their 33 per cent. share of parent company turnover.

New fixed investments by the parent company, which began to build up the year after a depressed period, showed a sharp 36 per cent. increase to Frs.104.7m. cash flow, including substantially increased depreciation of Frs.77.7m., rose to Frs.156.6m. from Frs.138.4m., equivalent to 84 per cent. of turnover.

Ferodo embarked last year on a two-year group investment programme totalling Frs.440m., financing part of it with a Frs.117m. convertible bond issue.

In the process of reorganising and updating its manufacturing facilities, Ferodo announced last year that it was dropping its industrial electronics activities. This included selling the majority stake in its semi-conductor subsidiary Cogite.

Intercom taps shareholders

Financial Times Reporter

IN ITS second rights issue in just over 12 months Intercom, the largest producer and distributor in the Belgian electricity sector, is to ask shareholders for the equivalent of some \$190m.

The company plans a one-for-five rights issue at a maximum price of B.Frs.1.800 a share. The issue will involve the issue of 4.3m. new shares. Last December Intercom raised just over \$100m. through the issue on the Belgian capital market of a nine year loan.

The new shares will be priced at B.Frs.1.345 each plus a premium to be decided by an extraordinary meeting of shareholders. The maximum price will be set at B.Frs.1.800 per share. New shares will be eligible for dividend from May 1, 1978, and the offer period runs from May 23 to June 7. Out of the total, 36,000 new shares will be offered to company employees.

At the close of last year, the company reported—via the prospectus for its bond issue—that the results for 1977 would enable payment of an at least maintained dividend.

Banco di Roma, one of Italy's main state-controlled commercial banks, is to increase its capital from L40bn. to L70bn. through a L30bn. rights issue and a L20bn. no consideration issue.

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Sales upsurge fails to stem KemaNobel setback

BY WILLIAM DUFFLORCE

STOCKHOLM, Mar.

PRE-TAX earnings of KemaNobel, the Swedish chemicals company, fell by 11 per cent. to Kr.135.4m. in 1977 despite a 37 per cent. growth in turnover to Kr.2,260m. (\$482m.), according to the preliminary figures.

The decline, forecast in the half-year interim, is attributed to the weakening of the chemical market throughout Europe. It was accentuated by sharp profit falls on consumer goods production in Sweden and on the silicon and LD-polyethylene operations.

The Board proposes to pay an unchanged dividend of Kr.10 an Ordinary share and Kr.10 on Preference share. It also recommends a bonus issue of one-for-five to increase the share capital by Kr.448m. and a stock split, halving the nominal value of the shares to Kr.50 each. The book value of some power stations and other plant has been written up by Kr.70m., improving the company's equity to debt ratio to 60 per cent.

The preliminary report indicates a drop of Kr.5.5m. in second half earnings to Kr.55.6m. Theoretical earnings per share for 1977 come out at about Kr.25 (Sw.19.9bn.) mark in 1977. A net profit of Kr.55.6m. is shown for 1977 compared with Kr.45.1m. after an unspecified reduction of Kr.25m. in allocations.

Nitro Nobel, the explosives subsidiary which has been increasing its international trading, reported an increase in pre-tax profit of over Kr.15m. to Kr.42.9m. last year. This means that earnings by the rest of the concern fell by almost Kr.30m. The Board believes that

the concern's continuing expansion abroad offers grounds for forecasting some improvement in earnings in 1978.

KemaNobel is being sued by Bofors, the armaments, steel and chemical group, for changing its name from Kemanord when it took over the outstanding stock in Nitro Nobel last year. Bofors runs its chemical operations under the name Bofors Nobel and owns a subsidiary named Nobel Kemi.

The dispute goes back to the concern's continuing expansion abroad offers grounds for forecasting some improvement in earnings in 1978.

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A cars recovery

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

CAR manufacturers throughout the world had a very good year in 1977. This is the message to be gleaned from the registration figures which are now coming through from the major markets. Sales reached record levels in West Germany and France, were only 100,000 short of the U.S. record of 1973, and are now back to the levels being achieved in the early 1970s, in Japan.

Total world registration figures for last year are not yet available, but it is clear that production also returned to the growth trend which was interrupted so dramatically four years ago by the oil crisis. Total motor vehicle output, including both cars and commercial vehicles, rose to 41m. units in 1977. This compares with 29m. in 1970, and corresponds to an average growth rate of 4.9 per cent. in the last seven years, against 8.6 per cent. during the 1960s.

The biggest expansion in vehicle production in this seven-year period has been achieved by Japan, which has increased output by 60 per cent. (from 5.3m. to 8.5m.) followed by North America, where it has gone up by 50 per cent. (from 8.5m. to 12.5m.) and the Eastern bloc, where it is up by 114 per cent. (from 1.4m. to 3.0m.).

The large Japanese growth has been chiefly directed at the North American market. But Japanese cars are also making inroads into Western Europe, where they rose by almost another 1 per cent. last year to 8.5 per cent.

The Western Europe figures show how most of the indigenous manufacturing groups rely heavily on their home market. This is particularly true of Fiat, Volkswagen, Renault and British Leyland.

On the other hand, all of these groups, except British Leyland, have been able to attain significant sales in their competitors' home markets. This is where British Leyland is so patently weak. The company's position in the U.K., while much worse today than it was a few years ago, is still respectable judged on a general European basis. But it simply does not have sufficient overseas sales to cushion its decline in Britain.

Ford, with its dual manufacturing base in the U.K. and Germany, has probably managed this spread of activity, the most effectively of all European manufacturers.

But other European manufacturers are also following the same course of trying to expand their sales in the rest of the Community. Fiat, for example, recently announced a target market share within the EEC outside Italy of 6 per cent.

Sales this year, according to forecasts made at the Geneva Motor Show last week, should be about the same or slightly more than in 1976. They are expected to slacken off in both Western Germany and France, but elsewhere should be firm, and luxury manufacturers like BMW and Mercedes expect their resources to be stretched to the limit.

CAR REGISTRATIONS IN MAJOR MARKETS

WEST GERMANY

	1977		1976	
Units	%	Units	%	
Volkswagen/Audi	789,979	30.8	663,095	28.7
Opel	490,551	19.2	469,304	20.3
Ford	320,618	12.9	345,111	14.9
Daimler-Benz	270,485	8.6	203,213	8.8
BMW	140,182	5.5	130,090	5.4
Others	9,907	0.4	8,245	0.4
Total domestic	1,981,822	77.4	1,809,640	78.3
Renault	126,436	4.9	123,455	5.3
Fiat	112,231	4.4	108,198	4.7
Peugeot/Citroen	92,931	3.6	82,887	3.6
Chrysler	56,824	2.2	55,731	2.4
Other imports	189,984	7.4	132,154	5.7
Total imports	579,456	22.6	502,427	21.7
Total domestic and imports	2,561,278	100.0	2,312,067	100.0

UNITED STATES

	1977		1976	
Units	%	Units	%	
General Motors	5,148,131	46.1	4,800,716	47.5
Ford	2,552,210	22.9	2,256,277	22.3
Chrysler	1,219,752	10.9	1,301,940	12.9
American Motors	184,361	1.7	247,640	2.5
Total domestic	9,104,454	81.5	8,606,573	85.2
Toyota	493,048	4.4	346,920	3.4
Datsun	388,378	3.5	270,103	2.7
Volkswagen/Audi	316,454	2.9	249,179	2.5
Honda	223,633	2.0	150,929	1.5
Other imports	678,000	5.7	482,000	4.7
Total imports	2,099,513	18.5	1,500,130	14.8
Total domestic and imports	11,203,967	100.0	10,106,703	100.0

FRANCE

	1977		1976	
Units	%	Units	%	
Renault	641,081	33.6	603,536	32.5
Peugeot	326,425	17.6	331,434	17.8
Citroen	320,389	16.8	301,282	16.2
Chrysler	180,548	9.5	191,742	10.3
Total domestic	1,478,443	77.5	1,427,914	76.8
Ford	76,781	5.1	76,630	4.2
Fiat	71,073	3.7	74,383	4.0
VW/Audi	61,393	3.2	64,549	3.5
General Motors	41,345	2.2	53,031	2.9
Other imports	157,954	8.3	159,727	8.4
Total imports	428,547	22.5	430,320	23.2
Total	1,906,990	100.0	1,858,234	100.0

JAPAN

	1977		1976	
Units	%	Units	%	
Toyota	892,501	35.7	898,658	36.2
Nissan	755,426	30.2	741,644	30.2
Mitsubishi	210,014	8.7	184,575	7.5
Toyota Kogyo	176,201	7.0	163,213	6.6
Honda	165,749	6.6	146,950	5.9
Fuji Heavy Ind.	94,633	3.8	104,629	4.3
Daihatsu	67,434	2.7	67,834	2.8
Suzuki	50,771	2.0	51,496	2.1
Isuzu	38,086	1.5	29,196	1.2
Total domestic	2,458,811	98.2	2,448,205	98.2
Volkswagen/Audi	15,785	0.6	15,440	0.6
Ford	6,012	0.3	4,065	0.3
Chevrolet (GM)	5,093	0.2	5,312	0.2
Mercedes	3,341	0.1	2,730	0.1
Other imports	11,590	0.6	11,677	0.6
Total imports	41,821	1.8	41,224	1.8
Total domestic and imports	2,500,632	100.0	2,449,429	100.0

UNITED KINGDOM

	1977		1976	
Units	%	Units	%	
Ford	340,319	25.7	324,659	25.3
British Leyland	322,067	24.3	352,679	27.4
Vauxhall	120,600	9.1	114,494	8.9
Chrysler	79,730	6.0	82,905	6.5
Total domestic	722,947	54.6	797,643	62.1
Datsun	82,133	6.2	68,853	5.4
Fiat	66,015	5.0	48,595	3.8
Renault	55,862	4.2	43,897	3.4
Other imports	350,609	26.5	269,700	21.0
Total imports	600,577	45.4	487,900	38.0
Total domestic and imports	1,323,524	100.0	1,285,543	100.0

ITALY

	1977		1976	
Units	%	Units	%	
Fiat group	662,665	55.0	650,875	55.6
Alfa Romeo	79,480	6.6	86,412	7.4
Innocenti	20,472	1.7	15,934	1.4
Total domestic	762,617	63.3	753,221	64.4
Renault	96,339	8.0	92,135	7.9
Peugeot/Citroen	90,316	7.5	84,510	7.2
Ford	71,050	5.9	40,877	3.5
Simca	52,987	4.4	63,143	5.4
Other imports	130,934	10.9	137,015	11.6
Total imports	441,628	36.7	417,680	35.6
Total	1,204,245	100.0	1,170,901	100.0

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIO AND SPECIAL DEPOSITS

1-Banks	Feb. 15, 1978	Ch. 1977
Eligible liabilities	£m.	
U.K. banks	23,789	
London clearing banks	2,606	
Scottish clearing banks	824	
Northern Ireland banks	1,858	
Accepting houses	6,201	
Other		
Overseas banks	3,812	
American banks	236	
Japanese banks	2,689	
Other overseas banks	210	
Consortium banks		
Total eligible liabilities*	42,224	

Reserve assets	Feb. 15, 1978	Ch. 1977
U.K. banks	3,069	
London clearing banks	348	
Scottish clearing banks	115	
Northern Ireland banks	326	
Accepting houses	894	
Other		
Overseas banks	569	
American banks	36	
Japanese banks	493	
Other overseas banks	54	
Consortium banks		
Total reserve assets	5,914	

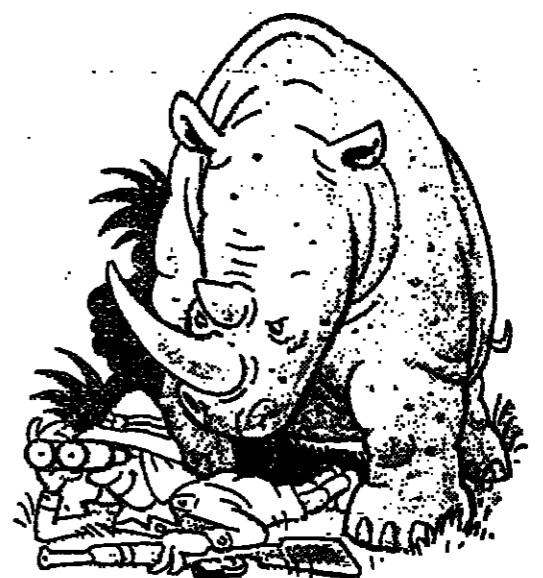
Constitution of total reserve assets	Feb. 15, 1978	Ch. 1977
Balances with Bank of England	380	
Money at call:		
Discount market	2,647	
Other	255	
Tax reserve certificates	140	
U.K. Northern Ireland Treasury Bills	721	
Other bills:		
Local authority	57	
Commercial	685	
British Government stocks with one year or less in final maturity	179	
Other		
Total reserve assets	5,914	

Ratios %	Feb. 15, 1978	Ch. 1977
U.K. banks	12.9	
London clearing banks	13.3	
Scottish clearing banks	14.0	
Northern Ireland banks	18.1	
Accepting houses	14.4	
Other		
Overseas banks	14.9	
American banks	15.3	
Japanese banks	18.3	
Other overseas banks	25.6	
Consortium banks		
Combined ratio	14.0	

N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	Feb. 15, 1978	Ch. 1977
£24		
2—Finance houses		
Eligible liabilities	238	
Reserve assets	350	
Ratio (%)	10.4	
Special deposits at February 15 were £1,219m. (up £25m. from £1,194m. in 1977). Banks and £10m. (unchanged) for finance houses. * In hearing eligible liabilities were £28,617m. (up £678m.).		

THE NORTHERN ROCK FILE ON DODGY RISKS

No.2. Big Game Hunting



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at £98 per cent

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مكتبة الأصيل

London Clearing Banks' balances

at February 15, 1978

TABLES below provide the first indication of the trends of banking and deposits, ahead of the more comprehensive banking and money figures published later by the Bank of England. Tables 1, 2 and 3 prepared by the London clearing banks, cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Courts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. REGULATE BALANCES				TABLE 2. INDIVIDUAL GROUPS' BANKS' BALANCES			
Liabilities	£m.	Change on month	£m.	Liabilities	£m.	Change on month	£m.
Current deposits	4,478	+ 80	4,558	Current deposits	50,214	- 114	50,100
Banking sector	24,889	- 102	24,787	Bank of England	1,096	+ 4	1,100
Private sector	633	- 83	550	U.K. banks and discount market	10,497	+ 283	10,780
Public sector	2,102	+ 36	2,138	Other	1,315	- 473	- 358
Reserve deposits	2,378	+ 1	2,379	Special deposits with Bank of England	812	+ 18	830
Of which: Sight	14,212	- 170	14,042	U.K. Government stocks	2,099	- 10	2,089
Time (inc. CDs)	20,220	- 18	20,202	Advances	26,466	+ 434	26,900
Foreign currency deposits	3,448	- 8	3,440	U.K. private sector	17,632	+ 244	17,876
Banking sector	988	+ 41	1,029	U.K. public sector	149	+ 32	181
Private sector	10,238	- 26	10,212	Overseas residents	2,880	+ 135	3,015
Public sector	1,867	+ 48	1,915	Other sterling assets	4,364	- 268	4,096
Deposits	15,580	+ 56	15,636	Foreign currencies	1,752	+ 10	1,762
Liabilities	58,291	- 163	58,128	Market loans	751	+ 2	753
				U.K. banks and discount market	2,108	+ 35	2,143
				Certificates of deposit	289	- 28	261
				Other	6,864	+ 93	6,957
				Bills	47	- 3	44
				Advances:			
				U.K. private sector	1,888	+ 14	1,902
				U.K. public sector	1,129	+ 16	1,145
				Overseas residents	2,785	+ 12	2,797
				Other foreign currency assets	751	+ 2	753
				TOTAL ASSETS	58,291	- 163	58,128
				Acceptances	289	+ 2	291

* Includes items in suspense and in transit.

TABLE 3. CREDIT CONTROL INFORMATION			
Liabilities	£m.	Change on month	£m.
Current deposits	22,446	+ 493	22,939
Banking sector	12,915	- 120	12,795
Private sector	1,259	- 0.7	1,258
Public sector	1,259	- 0.7	1,258

Managing clerk denies deceit

FINANCIAL TIMES REPORTER

MR. JOHN Michael Goodsell, former managing clerk of Chapman and Rowe, the stockbroker firm which was hounded in 1974, was questioned on the firm's accounts when his trial continued at the Old Bailey yesterday.

He is accused with three former partners, Mr. Alan Harman and Mr. Ralph Clarke, 50 of conspiring to defraud clients and furnishing false information to the Stock Exchange about the firm's liquidity margin in late 1973.

The Crown alleges that the firm, erroneously informed the Stock Exchange in January 1974 that it had a liquidity margin of £175,721, and that this was based on its balance sheet drawn up with its auditors for September 1973.

But later, the firm got into difficulties when it was unable to meet clients' demands. It was found to have a deficiency of more than £2m. when it was hounded in April 1974.

All the accused deny the charges.

Mr. Goodsell, 35, of Sharpthorne, Sussex, who joined the firm in 1972 after working with its auditors, Keens, Shay, Keens and Company, said he was unaware in late 1973 that the firm's "receivable" under partners' share transactions totalling £426,000 had been included in its current assets when they should have been set out separately, and that therefore the balance sheet figures were misleading in some respects under Stock Exchange rules.

"I did not personally examine all the tickets as I had instructed another member of the staff to do so. The auditors seemed to have missed tickets that were both receivable and payable in attribution to partners' transactions, but I did not exert any pressure to bring this state of affairs about."

He was equally unaware at the time that a substantial sum for partners' "tickets payable" had been included in the balance sheet when they too should have been separately listed.

Mr. Goodsell said instructions to lodge clients' securities with various banks had been given to him by Mr. Harman, and occasionally some other partners. He assumed this was done with clients' permission as the Stock Exchange motto was "My Word is My Bond."

"If I was given an instruction I acted upon it, and I deny that I ever discouraged my fellow employees from approaching the partners if they wanted."

Cross-examined by Mr. Richard du Cann, QC, for Mr. Harman, Mr. Goodsell said he never wavered in his belief that clients had given permission for securities to be lodged with banks. Mr. du Cann said: "I suggest you were hoodwinking the partners and others as well."

Mr. Goodsell replied that, and said he had tried to overcome genuine bookkeeping problems which existed when he joined the firm. The case continues to-day.

DE BEERS INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
PROVISIONAL ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 1977 AND NOTICE OF DECLARATION OF DIVIDENDS

The following are unaudited abridged versions of the consolidated financial statements for the year ended 31st December 1977, together with the comparative figures for the year ended 31st December 1976.

CONSOLIDATED INCOME STATEMENT			
	1977	1976	
	R'000	R'000	
Dividends, interest and sundry revenue	13 842	10 068	
Less: General expenses	126	406	
Profit before tax	13 716	9 662	
Tax	228	354	
Profit after tax	13 488	9 408	
Add: Provision against loans written back	—	3	
	13 488	9 411	
Appropriations:			
Transfer to general reserve	1 080	1 200	
Dividends:			
On preference shares	2 237	110	
On ordinary shares—75 cents per share (1976: 65 cents)	10 313	13 550	
	12 550	13 660	
Unappropriated profit 31st December 1976	—	1 359	
Unappropriated profit 31st December 1977	1 287	1 359	
Earnings per share	83.9 cents	74.4 cents	

The calculation of earnings per share on 13 750 000 ordinary shares in issue is based on earnings of R11 541 000 (1976: R8 694 000), arrived at after deducting preference dividends and allowing for second preference dividends of R1 537 000 (R604 000 for the period 3rd September to 31st December 1976). Earnings per share for 1976 are based on the weighted average of 11 687 500 ordinary shares in issue during that year.

CONSOLIDATED BALANCE SHEET			
	1977	1976	
	R'000	R'000	
Issued share capital:			
Preference shares	17 000	17 000	
Ordinary shares	27 500	27 500	
	44 500	44 500	
Non-distributable reserves	18 520	18 520	
Distributable reserves	20 997	20 059	
Current liabilities	5 841	4 942	
	89 836	88 021	
Investments:			
Listed	20 792	16 470	
Market value R58 431 886 (1976: R40 561 000)			
Unlisted	29 099	33 421	
Directors' valuation R79 638 000 (1976: R58 187 000)			
Loans	37 052	37 330	
Loan portion of tax	235	479	
Current assets	2 680	321	
	89 836	88 021	

DIVIDENDS

Dividend No. 55 on the Ordinary Shares

Dividend No. 55 of 40 cents per share (1976: 32.5 cents) being the final dividend for the year ended 31st December 1977, has been declared payable to the holders of ordinary shares registered in the books of the Corporation at the close of business on 23rd March 1978. This dividend, together with the interim dividend of 35 cents per share declared on 23rd August 1977, makes a total of 75 cents per share for the year (1976: 65 cents).

Dividend No. 56 on the 5.5 per cent Preference Shares

Dividend No. 56 of 2.75 per cent, equivalent to 5.5 cents per share in respect of the six months ending 31st March 1978, has been declared payable to the holders of 5.5 per cent preference shares registered in the books of the Corporation at the close of business on 23rd March 1978.

Dividend No. 3 on the 12.25 per cent Cumulative Redeemable Preference Shares

Dividend No. 3 at the rate of 12.25 per cent per annum, equivalent to 6.125 cents per share in respect of the six months ending 30th April 1978, has been declared payable to the holders of cumulative redeemable preference shares registered in the books of the Corporation at the close of business on 23rd March 1978.

For the purposes of these dividends the share transfer registers and registers of members will be closed from 24th March 1978 to 7th April 1978, both days inclusive. Warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 27th April 1978. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 18th April 1978 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Corporation's transfer offices in Johannesburg or the United Kingdom on or before 23rd March 1978.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head office and London office of the Corporation and also at the Corporation's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the Board
H. F. Oppenheimer (Directors)
A. S. Hall

7th March 1978

Head Office:
38, Stockdale Street,
Kimberley, South Africa

London Secretaries:
Anglo American Corporation of
South Africa Limited,
40, Holborn Viaduct,
EC1P 1AJ.

Transfer Secretaries:
Consolidated Share Registrars Limited,
63, Marshall Street, Johannesburg
(P.O. Box 61051, Marshalltown 2107)

Charter Consolidated Limited
P.O. Box 102, Charter House,
Park Street, Ashford,
Kent TN24 8EQ.

APPOINTMENTS

Hawker Diesels posts

Mr. Leslie Berry and Dr. Harry Watson have been appointed to the Board of HAWKER RIDGELEY DIESELS. Mr. Berry is managing director of Mirreles Blackstone (Stamford) and Dr. Watson is managing director of Mirreles Blackstone (Stockport).

Mr. H. P. P. Hodgkins, who became the senior deputy chairman of the FISONS GROUP when Mr. A. Robinson retired from the company in May this year, will relinquish his chairmanship of the pharmaceutical division, and act as adviser to the chief executive on international pharmaceutical matters and continue as chairman of Fisons North American companies. He will also have regional responsibility for South America and Japan. Mr. J. Valentine, at present chairman of the scientific equipment and horticulture division, is now a vice-chairman of the group and the new chairman of the pharmaceutical division. Mr. H. J. Blackmore, who heads Fisons Pty Australia, will be moving to the pharmaceutical division as managing director on May 1.

Mr. F. J. Heath, a deputy chairman, has been appointed chairman of the scientific division and retains regional responsibility for Australasia and Asia. Mr. J. S. Kerridge takes over the chairmanship of the horticulture division in addition to his positions as chairman of the fertiliser division and responsibility for merchandising and fish farming. Mr. A. C. Allen, who is managing director of the pharmaceutical division, becomes the executive main Board director responsible for Fisons' business in North America. He will be resident in the U.S. from April 1. Mr. E. H. King, president of Fisons U.S. and Canadian companies, will be leaving to take up an appointment outside the group. Mr. D. C. King, now group secretary, will become managing director of Fisons Pty Australia and Mr. E. Cameron will be group secretary, both appointments from May 24.

Mr. Laurence Dow, managing director of the BEJAM GROUP, has become deputy chairman and joint managing director. Mr. A. William Perry has been named joint managing director and Mr. John M. Edwards joins the Board as finance director.

APPOINTMENTS

James Capel & Co.

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LEGAL NOTICES

In the HIGH COURT OF JUSTICE
Chancery Division Companies Court in the Masters of

No. 00029 of 1978
DANIEL MODELS LIMITED
No. 00050 of 1978
E. & S. BURKE LIMITED
No. 00065 of 1978
PENGLE PLASTICS LIMITED
No. 00070 of 1978
KEANE & CORE LIMITED


and in the Master of the Companies Act, 1965

NOTICE IS HEREBY GIVEN that Petitioners in the Winding-up of the above-named Companies by the High Court of Justice, on the 27th day of February 1978, presented to the said Court by the COMMISSIONERS OF CUSTOMS AND EXCISE of Great Britain, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 18th day of April 1978, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAR,
King's Bench House,
35-36, Mark Lane,
London EC3N 2EP.
Solicitor for the Petitioners.

NOTE—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of April 1978.

This announcement appears as a matter of record only.

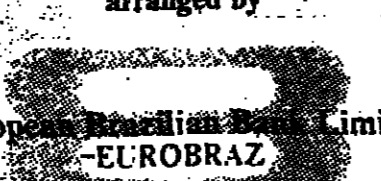


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Union Bank of Switzerland London Branch

provided by

Banco do Estado de São Paulo S.A. London Branch

Commerzbank Aktiengesellschaft—Chicago Branch

County Bank Limited

Coutts & Co.

Euro-Latinamerican Bank Limited
— EULABANK —

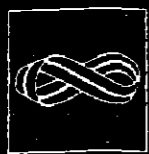
European Brazilian Bank Limited—EUROBRAZ

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Mezzanine - Local 6
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Rua Augusta 38
LISBON-2
Tel 369421-369454
Telex 12265



THE PORTUGUESE economy has in the past two years acquired the dubious distinction of being the most precarious in Europe. Like no other West European government in the post-war period, Portugal has been obliged to resort to selling and mortgaging gold reserves as a line of last defence to pay its way. Only half its gold reserves are now free, and total gold and foreign exchange reserves cover 3½ months' imports with the gold valued at official IMF prices. Portugal's international friends argue that remedies have been sought more through words than deeds while among the Portuguese there is a widespread feeling that the international community has given too little attention to the complexities of politics and the inherited structural deficiencies of the Salazar era.

This conceptual gap, principally evidenced by the IMF and American view that the Portuguese can help themselves more than they wished to believe and that the Soares Government has cast itself in the role of hapless victim of circumstance, has taken a long time to bridge. Given the urgency of the situation some would say unnecessarily long. Now at last it looks like being bridged. By mid-March a new economic package should have been formulated based upon IMF tough dictates. This in turn will pave the way for activation of a \$50m. IMF loan, and more important, the opening up of credit lines provided by 14 western countries worth \$747.5m.

The precarious nature of the economy largely relates to the problems thrown up in the wake of the 1974 revolution, where first Marxist principles were attempted and then subsequently interrupted as the Socialist Party sought to impose more democratic and market orientated solutions. As a result of the revolution, the State acquired 70 per cent. of industry but lost a major slice of the nation's slim managerial cadres. The State acquired control of banking and insurance, but lost the confidence of the private sector, which still accounted for 90 per cent. of exports. Workers took over control of many industries in the name of social equality not economic viability, and the large landholdings in southern Portugal were occupied by landless peasants.

Wages rose but production declined. Apart from absorbing the impact of the revolution, the economy had to re-adjust very suddenly to the disappearance of its colonies and the increased cost of energy imports.

All this is consigned to history now. But its impact is still felt in a number of important ways. Higher wages and the sudden return of some 400,000 persons from the colonies—equivalent to 4 per cent. of the total population—stimulated demand. This has been responsible for the seemingly contradictory characteristic of Portugal experiencing a much higher growth rate than its economic circumstances would appear to permit. In 1977 growth was almost 6 per cent. In turn this has made it more difficult to impose austerity measures, particularly as the Government has felt obliged to offset the social and political consequences of large numbers of "returnees" lying unemployed by seeking to avoid too many dampening measures.

Harsh

The price of this relatively high growth rate has been unavoidably harsh. The balance of trade has declined sharply—the terms of trade have deteriorated 30 per cent. since 1974, Portugal has become a significant net importer of foodstuffs, a factor aggravated by declining agricultural production which has resulted from poor productivity and compounded by a disastrous 1977 harvest. Wheat, a staple product, suffered a 70 per cent. drop in production last year. Foodstuffs now make up 18 per cent. of Portugal's import bill. Moreover the foodstuffs bill rose 46 per cent. in value terms last year. Parallel with this trend, oil imports have added a heavy additional burden, accounting for 17 per cent. of imports. Overall the trade deficit has widened. Eleven month figures for 1977 show imports at Esc.170bn, and exports at Esc.70bn. Provisional trade estimates by the Bank of Portugal forecast a trade deficit of \$3.5bn.

The trade imbalance has been reflected in a worsening payments position. The current account deficit is now 24 per cent. of GNP, or \$1.5bn. This compares with \$1.2bn. in 1976 and the surplus of the

pre-revolution days. The situation would have been worse last year had not emigrant remittances almost doubled to \$1.1bn. and net tourist receipts improved. In the first ten months net tourist receipts were up 150 per cent. on 1976 to Esc.9bn. With capital inflows the overall balance of payments for 1977 closed provisionally with a deficit of \$1.2bn.

To cover the deficit Portugal has been obliged to increase sharply its level of external debt and to draw down on its gold and foreign exchange reserves. From 1975 through to the end of last year the Bank of Portugal borrowed \$1.5bn. abroad. At the end of February 1978 outstanding foreign debt was \$4.5bn. If interest is included the amount would total \$5bn. Of this 39 per cent. represents indebtedness by the Bank of Portugal, 5 per cent. the Government, 17 per cent. public enterprises guaranteed by the Government and the remainder public and private enterprise with or without Government guarantee. In addition to this mounting foreign debt Portugal's gold has been diminished. Between March 31, 1977, and February 28, 1978, gold reserves fell from 857 tons to 741 tons—and of this only 51.4 per cent. is now "free" gold. During the same period foreign currency reserves fell from \$260m. to \$111m.

In a blunt warning on Portugal's plight, the new Finance Minister, Sr. Victor Constancio, said a few weeks ago that the country had reached a point where it was being strangled by balance of payments problems, creating an alarming dependence upon external financial support. The margins of

manoeuvre were becoming increasingly limited, he said. Accordingly the measures being proposed by the IMF are little short of draconian—a stern tightening of budgetary discipline, a major squeeze on credit, raising of interest rates, further devaluation, and an end to State support for uneconomic entities.

There have been serious differences with the IMF over the scope and scale of these measures. The Portuguese authorities maintained that the IMF package ignored the political and social realities of seeking to introduce such measures. However, now the broad principles have been established and it has become more a question of last minute haggling. Tighter control of money supply will be one of the prime instruments. The Bank of Portugal hopes to persuade the IMF that an average of 15 per cent. increase in credit gauged on a month per month basis is acceptable. Within this margin there will be a high degree of selectivity both in the sectors (priority will be given to exports, labour intensive industries and agriculture) and towards individual banks. At present for the first quarter of 1978 the Bank of Portugal is permitting an average of 4 per cent. increase over the credit level of July, August, September and October—the four slackest months in 1977.

Tighter credit will be backed up by higher interest rates and discount rate. Here again selectivity will apply, with the emphasis on special premium deductions on credit devoted to exports, import substitution and labour intensive activities. (The Bank of Portugal hopes to convince the IMF to include construction in this category.) The Bank also hopes to mop up ex-

cess liquidity by offering more attractive Treasury bills that will be index linked. On the exchange rate side the Portuguese have accepted the principle of further downward adjustments in the escudo. This will be done, the Bank of Portugal hopes, less on the current 1 per cent. per month basis but on a longer average which would still achieve a devaluation of approximately 12 per cent. a year.

On Government expenditure, the IMF has insisted that current outlays be balanced while allowing capital spending to have a small Esc.12bn. deficit. This is to be backed up by tighter control of wages and prices. The net effect of these measures will, it is hoped, reduce growth to 3 per cent., cut inflation to below 20 per cent. and reduce the payments deficit of \$800m.

Complex

However, success depends on a series of complex and inter-relating elements. On the Government spending side, a great deal will depend upon the extent to which Sr. Soares and his ministers are able to carry out an aggressive attitude towards "lame ducks." The Government is pledged to close down those industrial units which cannot justify continuing losses. According to one banker's estimate 90 per cent. of the industrial companies taken over by workers are running at a loss. Their survival until now has depended upon Government guarantees outstanding loans. The political problems inherent in a tough market approach to this issue are all too evident. Unemployment is already running at some 16 per cent. and there are political limits to putting workers out of jobs.

Much hinges in this respect on the behaviour of the banks, which though nationalised, still contain the bulk of their original management. It is they who it seems will be given greater authority to decide who should and should not be supported. On the wages side, the general impression so far this year is that workers have preferred to press for very limited increases, fully realising that hefty demands could endanger jobs. The dampening of import

demand however, is a lemmatic. Roughly 50 of imports are made up of oil and capital goods, which are dependent on agricultural sector stabilised, a long-term action—and upon good fortune—so far this year unfortunately absent.

The \$800m. in loan from the U.S. and \$2 West Germany) is likely only temporary. Its debt service (the expected to be \$1.7bn) to this the Bank of Portugal has a little public relations roll-over short-term arrangement with the small country like which has no major resources and which over 30 per cent. of its population is employed in these are formidable to shake off. They are more so when the mutually sensitive area of agriculture. And, none of this takes account of the theoretical obligation by nationalisation takeovers.

Until now the have been less than the real plight of the data has been dis-statistical acrobatics good old-fashioned of information. The for instance, has been in mystery and no taken the trouble the country on the manner in which this last resort has been down.

Often the problem that the technocrat, lacked political authority the politicians have technical knowledge. hope that the new Government has remedied this, a part, by the appoint the former deputy chief Deputy Governor Sr. C. as Finance Minister. first figure in such to enjoy international domestic confidence revolution. In the confidence is what Portugal lacked most in the years, and it is a which it cannot have

Robert C

The armed forces

IN A military academy near Lisbon, where young officers aspire to become generals, one may notice how those attending classes on Portugal's Nato commitments have clipped hair and crisp uniforms.

Less than four years ago officers such as these, with their fatigues and beads brought from Africa, talked of revolution and, in some cases, tried to make it.

While civilians in Government stress that the country's priorities lie less in socialism than in a solution to the crippling balance of payments deficit, Portugal's high command is taking firm steps to re-establish the sense of discipline and hierarchy that was temporarily destroyed during the political turmoil that followed April 25, 1974.

Significantly a leading article in last month's issue of "Nação e Defesa," the military journal, argues that the armed forces should no longer feel an obligation to guarantee the conditions for the country's transition to socialism, as specified in article 273 of the present constitution.

The man most responsible for putting the Portuguese armed forces back on the way to the barracks is General Ramalho Antonio dos Santos Eanes, President of the Portuguese Republic and Commander in Chief of the Armed Forces.

General Eanes emerged as the main strategist behind the defeat of the extreme left-wing military and civilian groups that tried to seize power on November 25, 1975. To-day the loser in that particular battle is Major Otelo Saraiva de Carvalho, currently awaiting trial for his involvement in the events. Stripped of his rank and prevented from granting formal interviews and making public political statements, "Otelo" emerges only now and again to attend the meetings of a recently formed left-wing movement led by a Marxist intellectual and former Minister of Agriculture, Antonio Lopes Cardoso.

The shifting political balance within the armed forces is clearly reflected within the Council of the Revolution, where a commission composed of military officers and civilian jurists is constitutionally empowered to veto Government legislation. Although the nominal head of the commission is still Major Ernesto Melo Antunes, a theoretical Marxist who passionately believes in democratic socialism, the effective power of the "Melo Antunistas" has been checked

in recent months.

Increasingly they have been openly criticised in public by politicians. They are accused of trying to maintain the military in politics, and of plotting behind the scenes against the more detached position adopted by President Eanes. (As yet only one important politician has dared to criticise the President in public, and his attitude cost him the leadership of a political party.)

In a sense the campaign waged by the Press and the deputies in the Assembly against the "Melo-Antunistas," reflects the frustration of a civilian population which has to live with a fragile democracy. The mainstream of Portuguese politics during the past four years has been directed not by the political parties but by impetuous army officers.

Significant

The significant points have not been the elections but the coups and counter-coups that have imposed political directions overnight: a military coup on April 25, 1974 toppled the 20th century's oldest fascist regime in an attempted right-wing coup, led by General Antonio Spínola, on March 11, 1975, led to a radical backlash and an attempted left-wing take-over of power which included army officers; and this, in turn, led to yet another coup on November 25, 1975, which, some will argue, has ultimately led to the conservative alliance in Government which will be negotiating with the International Monetary Fund later this month.

Though it would appear that in Portugal to-day the political nature of the armed forces is interdependent with more stable civilian government, the fear of military intervention has not been totally erased.

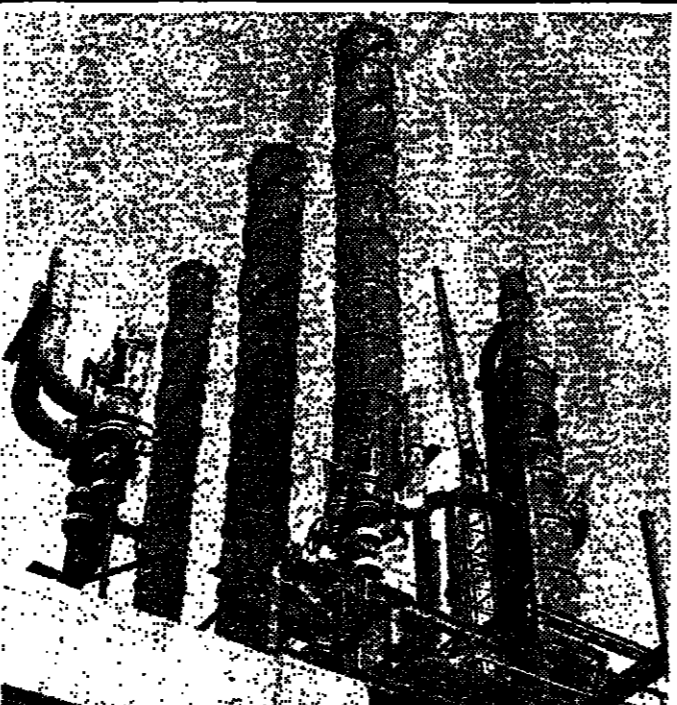
Ironically, while the country as a whole has been getting poorer, the armed forces have been getting richer. The defence budget forecast for the present year shows that total expenditure will be in the region of \$475m., an approximate increase of 10 per cent. compared to last year. A considerable part of this money will undoubtedly be used to bolster Portugal's membership of Nato. Under President Eanes' leadership, the Portuguese armed forces have regained the confidence of the alliance which, in the heady days of the revolution, was wary of letting Europe's potential "Cuba" into too many secrets.

Jimmy Burns



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مكتبة الأصيل

Difficult time for industry

THEIR eyes firmly set on the industrial power. Meanwhile, Portugal's entry into the European Economic Community, the country's second constitutional amendment is taking steps to abroad.

Three years later, the political pendulum is gradually swinging back towards the centre, and a new sense of balance is in the process of being established in Portuguese industry.

Last summer, two important bills regulating industrial relations were passed in Parliament in an attempt to stifle the kind of industrial anarchy which had led to a slump in productivity in 1975.

Although workers would continue to receive information on company matters, they would be excluded from decisions made by management concerning investment. The right to strike would remain but not the right to demand strike wages.

Frontiers

Further legislation passed by parliament in January defined the frontiers between the public and private sectors, stressing that private enterprise was legally entitled to operate freely in certain areas. It would be barred, however, from major sectors including mining, cement and other raw materials, public transport and public utilities, postal and telephone services.

The latest government programme carries at least the promise of further stimulus for the private sector, which it recognises as the true motor of the Portuguese economy. (The private sector accounts for over 85 per cent of Portuguese exports.) Yet, despite the government's intentions of ironing out the previous imbalances, both in structure and financing, in both the private and public sectors, it recognises that given the deflationary nature of its economic programme, the industrial prospects in the short term are severely restricted.

One of the great survivors in a sense, it was inevitable at the political pendulum swing the other way when the dictatorship fell, it was the turn of private enterprise and foreign investment to the victims. Nationalisations of the private sector, taken over without compensation, and off foreign capital; the unions, adopted by the Communist Party, went all out expanded, profiting from its

good geographical position and the advent of the big tankers. To-day, Lisnave has the largest ship-repairing facilities in the world.

In 1975, at the height of the Communist push for power, Lisnave suffered two major strikes in an attempt by workers to destroy the private management of the yard. Productivity slumped.

Yet, despite its political problems and the general world crisis in the shipping industry, Lisnave has managed surprisingly well. Since 1974 over 1,730 ships from all over the world have docked at the yard to be either repaired or converted. The minimum profit achieved last year was due not to lack of productivity but to the wages and benefits bill which is among the highest in the country. In more than one sense Lisnave represents a test case for Portuguese industry.

Workers at the yard remain dominated by the Communist-controlled Confederation of Portuguese Workers (Intersindical).

Management remains part foreign (40 per cent Dutch and Swedish shares) part private, and part public. There have been occasional stoppages at the yard, mainly provoked by the inclusion of the Christian Democrats (CDS) in the new Government, whom the workers define as left-overs charge of it, hopes to make the

best out of a slightly embarrassing job by selling petrol by-products to the United States and reopening links with some of its former African colonies. It nevertheless admits that cut costs the refinery may be restricted to only 60 per cent production. Earlier this month Sines received a psychological blow when one of the concrete structures built to protect the port was shattered by rough seas. But despite accusations that Sines may be Portugal's "white elephant" it is generally accepted that the complex is there to stay and could be made to work to Portugal's advantage with some careful planning.

The huge industrial complex at Sines on the border of the Southern Alentejo has like Lisnave been earmarked for Government attention in the months ahead. Its deep-water port located on vital shipping routes (due to be opened in the summer), an oil refinery, and a ten-unit petrochemical complex owned by CNP, the State-owned Portuguese petrochemical company, makes Sines potentially Portugal's most important link with the rest of the world. As one industrialist has remarked "Sines has trained a lot of people in thinking big" and that, in a country like Portugal, renowned for its industrial underdevelopment, is no mean feat in itself.

Sines, however, like Lisnave, has its problems. Not least of these is the refinery, devised in an era of cheap oil, and now struggling to justify its existence. Petrogal, the State-owned oil company which is in charge of it, hopes to make the

best out of a slightly embarrassing job by selling petrol by-products to the United States and reopening links with some of its former African colonies. It nevertheless admits that cut costs the refinery may be restricted to only 60 per cent production. Earlier this month Sines received a psychological blow when one of the concrete structures built to protect the port was shattered by rough seas. But despite accusations that Sines may be Portugal's "white elephant" it is generally accepted that the complex is there to stay and could be made to work to Portugal's advantage with some careful planning.

Defined

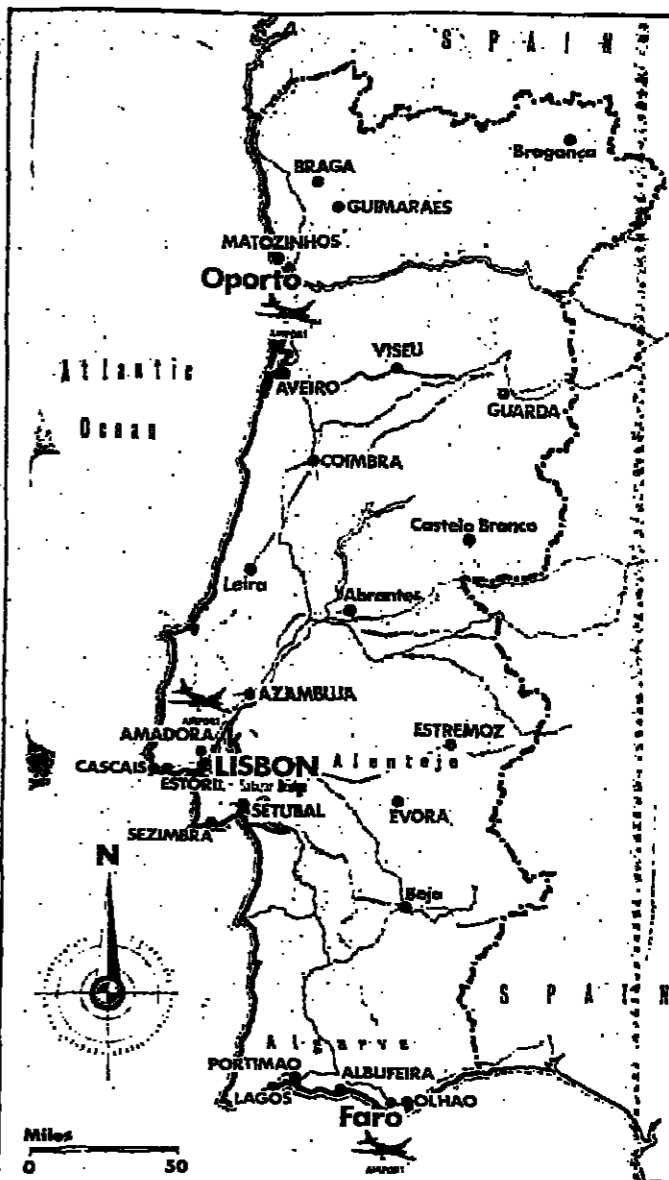
The construction of new petrochemical units at Sines have been defined as among the "priorities" for future investment in the new Government programme.

The textile industry, which represents 20 per cent of the total value of Portugal's transforming industries, and which is the country's major exports source, is also in line for a boost from the Government. Until now the industry has felt undercapitalised: large firms have been trying to fend off labour troubles; small firms have been struggling to keep up production. The importance of the industry to Portugal was reflected in the recent complaint lodged in Brussels by Dr. Victor Constancio, the country's investment by indemnifying the Minister of Finance and Chief firms which were taken over explained by some observers as

EEC negotiator, against the attitude of some countries in the Community which want to see increased quotas on the import of Portuguese textiles. The industry is already considerably affected by the high costs represented by the imports of machinery, dyes, and raw materials. Clearly, while enterprises like Lisnave and Sines are expected to ride the storm which will follow the Government's next austerity package, many small companies are going to feel left out of the "selective" credit promised by the Government through the banks, and will face bankruptcy.

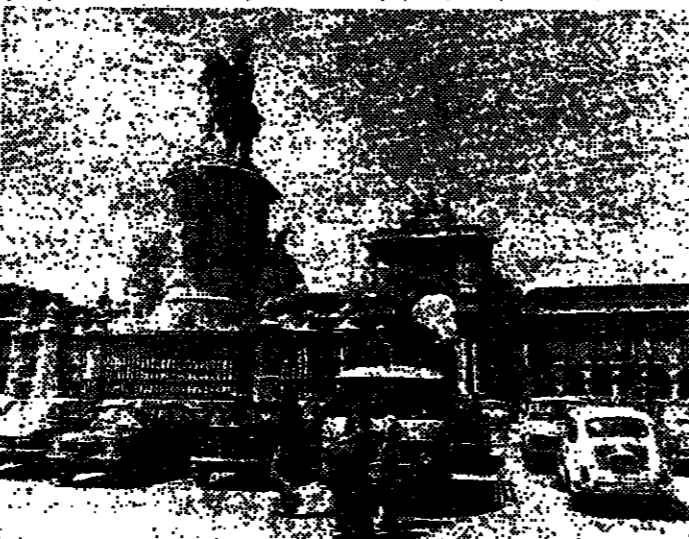
Because of it industrial relations will be severely tested. The Confederation of Portuguese Industry (CIP), which represents over 35,000 small and medium-sized private companies, still claims that the private sector will be discriminated against as long as all the banks are nationalised.

The Confederation of Portuguese Workers (Intersindical), Communist dominated and claiming to control around 80 per cent of Portuguese labour, complains that the private sector, far from being victimised, is being given a privileged position in the Government's plans. Nationalisations, which Intersindical sees as its legitimate revolution, are threatened by the return of big capital, particularly foreign. (The Government hopes to attract foreign investment by indemnifying the Minister of Finance and Chief firms which were taken over explained by some observers as



without compensation.) a sign that the Communists may not have the total control of labour that they claim. The strengthening of Portugal's industry depends on the ability of unions and management to fully realise the gravity of the country's economic crisis, and to temporarily bury their differences.

Jimmy Burns



Black Horse Square in Lisbon.

Recovery in tourism

PORTUGAL'S TOURIST authorities would afford to be jubilant in 1977. Travellers and travel agencies alike recovered from their two-year bout of suspicion of the country's interpart politics and flocked again to the beaches of the Algarve and the Costa del Sol on Lisbon's outskirts.

The more adventurous penetrated the highlands, plains and valleys of the interior, marvelling at the rural north with its tiny farms and vineyards, or the boulder-strewn mountain-sides of the north-east.

The State-owned pousadas—wayside inns comparable to Spain's *paradores*—turned away thousands of car-driving travellers, since most of them only have 12 to 20 rooms. Lisbon's streets, hotels and restaurants became cosmopolitan again, with waiters serving EEC-travellers or grappling with Japanese visitors—a welcome change from rooms of empty tables of the previous year.

The figures are eloquent: in 1977, 3m. foreigners entered Portugal (compared with 2.2m. in 1976). According to figures supplied by the State directorate-general of tourism, 1.5m. of these were tourists (compared with 958,000 in 1976), an increase of 40.4 per cent. Nights spent in hotels increased by 62.2 per cent to 6m. in 1977 compared with 3.7m. in 1976.

Gross tourism revenue—needed so desperately to counteract the \$1.3bn. balance of payments deficit—rose by 60 per cent from \$256m. in 1976 to \$410m. in 1977. Net tourism revenue totalled \$279m—a 94.1 per cent increase over 1976.

After a period of confusion Government and private enterprise are now working to boost Portugal's tourist infrastructure. Hotel capacity has been approved for additions of 12,000 beds in the near future, and plans for another 5,000 are in the pipeline. The 100,000 places available in Portugal's 70 officially-recognised camping sites are due to be increased by 68,000; this is of particular interest to Spanish and French tourists, who prefer to come by car with their families and camp out.

After the near-collapse of the tourist building industry, three years ago, seven new hotels are being built in the Algarve.

Facilities

The authorities have always been careful to prevent the ruin of countryside and atmosphere that took place in Spain's coastal areas by controlling both the height and density of tourist buildings. Thus, the sea is still visible and accessible, and fishing villages are still just that—working parts of the community generally unspoiled by incursions of totally tourist-orientated commerce or overbuilding. The hotel, villa and apartment developments sprawl, in some cases with strikingly imaginative architecture, towards the hinterland and the hills, where farmers still tend citrus groves.

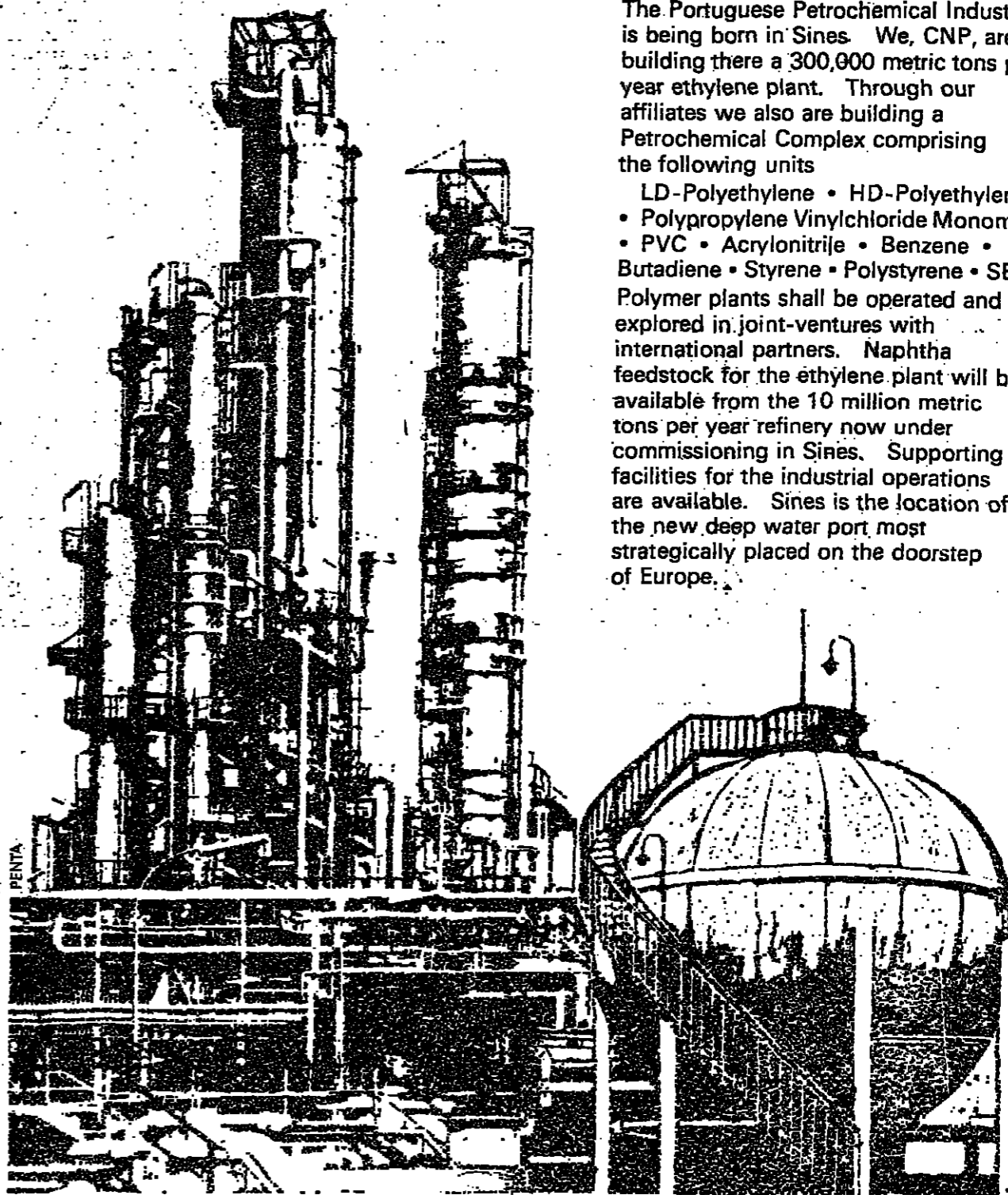
The area still needs more restaurants and evening entertainment facilities, but the authorities and local businessmen seem to have finally realised this and learned that excellent beaches and walks or drives along the coast are not enough for holidaymakers.

The Algarve was packed out during the February carnival weekend and is fully booked for the spring and summer seasons. The authorities came under heavy international fire last year for not controlling gross overbooking—which lost the Algarve many potential clients as package tour fights had to be diverted to other destinations.

This year, Portugal's national airline, TAP—a company with a sound safety record, has started its first advertising campaign in several years. Despite its chronic unpunctuality, the airline cannot be faulted for friendliness, serious attempts to avoid the plastic-type food often served in the air and a bonus to oenophiles—generous supplies of free wine.

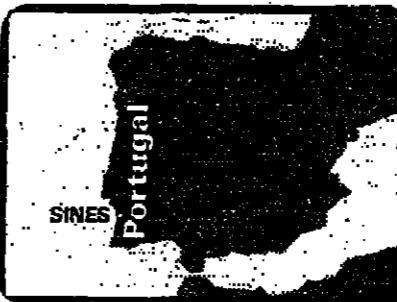
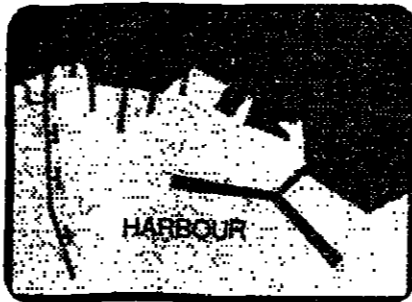
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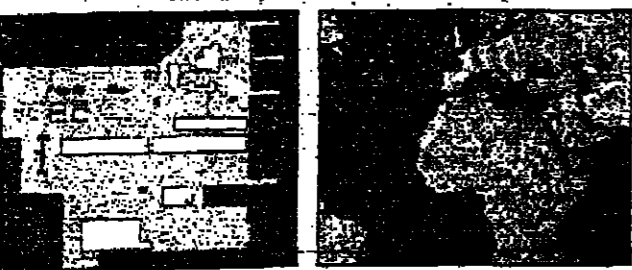


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PORTUGAL IV

Farmers need greater support

FOR DAYS now it has been raining in Portugal. A fierce Atlantic storm has moved in from the coastline, bringing floods to towns, villages and fields. A grim reminder of the incessant rainfall last summer which wrecked crops and caused the worst harvest in over 40 years.

Agriculture's dependence on weather is reflected in last year's production figures which, in the key areas such as wheat and olives, fell disastrously, putting further pressure on the country's food bill. They say here that before meeting the International Monetary Fund, the Government should first negotiate with the rain god.

Wheat production in 1977 fell by 72 per cent., olives by 53 per cent., and grapes by 47 per cent., compared to the previous year. Portugal's trade deficit was seriously affected by the country's inability to feed itself and by its consequent increased dependence on imports of foodstuffs.

By the end of last December, this is the biggest single issue Portugal had been forced to affecting the direction of import nearly \$50m. of wheat, a 60 per cent. increase from the previous year.

Under the U.S. AID providing potentially the most explosive 850m. in credit to buy agricultural produce from abroad. Until agrarian reform is an indication that the country could not only not feed itself but could not afford to pay for the agricultural sector.

The housewife, in particular, has suffered from the poor performance in agriculture. In the summer of 1975, when food costs officially rose by 52 per cent. in 1977 compared with 1976, though a labour and the absenteeism of recent breakdown of essential commodities revealed that the directed their property from price of particular items like their beach houses in Estoril, chick peas, beef and dairy products increased by nearly 70 per cent.

The rain gods cannot be held solely to blame for the country's desperate state of agricultural sector. Agrarian reform remains unresolved and revolutionary conquest, the

political fervour left unresolved the complex tangle of ownership rights.

Last summer the Government showed for the first time that it was prepared to set right the Communist excesses, regardless of the political consequences.

The minority Socialist Government's Land Reform Review Bill, conceived by the (then) Minister of Agriculture, Sr. Antonio Barreto, was passed safely through Parliament, having defined the amount of land that a private farmer could legally retain in the southern and central grain belt.

Under the Barreto law, land was to be assessed on a complex points system that would take into account quality as well as quantity. Farmers would be able legally to reclaim land up to a total of 70,000 points. If the productive capacity of the land was low this would mean as much as 1,250 acres. If it was high it would mean as little as 600 acres.

In effect the Government had given its seal of approval to the break up of some of the collectives, and the restoration of estates to some of their original owners.

In a sense, the Barreto law represented a conscious political move by a Government determined to cut into a regime of asserted Communist power. But behind it lay a considerable dose of economic common sense.

At best, the Barreto law, which since its propagation by the President, General Ramalho Eanes, has led to the handing back of hundreds of acres of expropriated land, is the first Government-inspired effort to present a coherent project directed towards technical improvements. At worst it has created considerable political tension. The peasants fear that a return to private farming will result in a cut back of Government credits to the collectives and increased unemployment.

When the first effects of the Barreto law began to be felt at the end of September last year, angry peasants clashed with the Republican Guard that had come to the estates to enforce government orders.

Bombs wrecked six Government farm policy offices in Lisbon in the worst expression of political frustration since before the revolution. Sr. Barreto himself received daily death threats. Government hesitance to-day over proceeding further with the Barreto law (severely criticised by the Right) is influenced by this background, which in one critical month threatened to upset Portugal's hitherto surprisingly peaceful transition from dictatorship to democracy.

There is political tension, too, in the agricultural sector north of the Tagus, which in stark contrast to the south is characterised by thousands of small farms, which are in

urgent need of restructuring. Politically the region is characterised by the overriding influence of the Right and the Church.

Representatives of the thousands of smallholders (and also a handful of once powerful Latifundistas) is the Confederation of Portuguese Farmers (CAP). CAP would like to see the majority of the small farms turned into private collectives in order to provide more central planning.

But the significance of the CAP lies less perhaps in their specific economic demands than in the political power that they represent.

In 1975 CAP, which claims to represent 70,000 farmers, resorted to street action in an extremist counterpoint to the Communists, setting up road blocks, interrupting railways and later threatening to cut off food supplies unless the Government announced firm action to hand back expropriated land.

To-day, suspicions remain that the CAP, like their avowed enemies the Communists, may use the question of land as an excuse to further their dangerous political ends.

Earlier this month, a rival confederation to the CAP was formed in the north. The importance of the new Confederation of Small Farmers is that it is openly Communist-inspired and has the backing of a radical local bishop. The

involvement of the Left and the progressive Church in an area of Portugal until now clearly defined as conservative promises to create more tension still.

Significantly, in Portugal's second constitutional Government which was sworn into office just over a month ago, the new Minister of Agriculture and Fisheries, Sr. Luis Salas, is a little-known lawyer who has never featured prominently in politics.

Although his technical know-how is thought to be more in fisheries than in agriculture, Mr. Salas hopes as an "independent" to steer agrarian reform away from partisan passions. One of his predecessors, Sr. Antonio Lopes Cardoso, a Marxist intellectual, broke away from the Government and the Socialist Party in 1976, and now leads a radical Left-wing movement with links in the unions and the military. Sr. Antonio Barreto is known to have been strongly in favour of a Presidential solution to the political crisis that followed the collapse of the minority Socialist Government in December. A fact that did not endear him to Prime Minister Mario Soares and, some say, lost him his job.

Mr. Salas has already publicly declared that, on the land question he has no time for political extremes of either Left or Right, and that he is only open to dialogue. Left and Right suspect him. Nevertheless he still

reflects his Government's view that the economic problems in agriculture are too important to be defused in the interest of the whole country. The Government wants the European Economic Community, and that in itself the solution of agricultural problems is pressing.

Ironically, it could be that Portugal's present situation as a substantial importer of agricultural produce, it is as less of a potential rival within the European Community than Spain, for example, which has always strong export.

A more charitable view Portugal needs to strengthen agricultural sector, as industry, so that it can something to offer the community in the future.

The question that remains whether the peasants south, still inspired by Communist Party avowedly to Portugal's entry in Common Market, will give up their "revolt gains," simply because ministers in Brussels want them to.



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The banks regain their influence

IN THE uncertain atmosphere that hovers over the Portuguese economy, the banking system is being called upon to play an increasingly crucial role. More over this is a role that is bound to enlarge when the Government's package of economic measures is announced later this month. Monetary instruments are a key element in the Government policy which will herald increased austerity, primarily by imposing tighter credit restrictions and more selective credit controls. The bankers already believe that the Government is giving them greater authority and discretion in the administration of credit, the bankers in the nationalised banking system playing a rather ambiguous role of both civil servant and market-orientated businessman.

This is a very different story from three years ago. Then the banking system was caught up in the struggle for political power, being one of the most obvious examples of the accumulation of monopolistic control under the old Salazar regime. The commercial banks had developed into powerful entities that had substantial equity portfolios representing the dozen or so major groups of financial power in Portugal which controlled 51 per cent. of fixed capital and some 60 per cent. of industrial activity. It was not surprising, therefore, that in the Communist push for power the 20 banks and finance houses were nationalised. Only the handful of foreign banks and small agricultural credit institutions remained untouched.

Urged on by the Communist Party and the far Left, bank clerks occupied Board rooms and inspected bank accounts. Bank deposits, it was said, would henceforth be used by the state for "the benefit of the people." This meant sustaining employment by propping up small businesses which since the April 1974 coup had found themselves in increasing financial difficulties. The ultimate aim may have been to use the banks to stimulate productive investment. However, credit was primarily used to finance current cash needs that had been forced sharply upwards by wage increases and large pay agreements. Traditional banking discipline was dropped, and replaced by the needs of the revolution.

With banks rapidly moving towards what appeared to be a Soviet-style State capitalism, depositors rushed to withdraw their savings. This was only averted by a change in the country's political direction in November 1975 when the extreme-Left civilian and military groups, keen on further consolidation of the revolution, were eased out after an attempted coup. This change of political direction has led to a remarkable turnaround in the state of the banking system. The powerful hold of the Communists over bank employees has been loosened and now the bank union employees are represented by a PSD (Social Democrat) candidate. In turn management left largely untouched by the revolution, has been allowed to reassert a more traditional role.

This has created in some respects a curious situation.

Managements are now trying to run the nationalised banks competitively with one eye still very much on the fate of the former owners and shareholders. Profits, which are now being made, are ploughed back or put into reserves. The idea that the Government or State should be paid any dividend has been resisted on the grounds that if dividends are paid then indemnity should be paid first. Indemnity for bank nationalisation is likely to be settled sometime this year, perhaps in the form of bonds. In the meantime the banks at least have an incentive to operate.

As a result of the revolution in 1974 there has been a rationalisation within the banking system. The number of commercial banks has been cut from 17 in 1974 to 10. However, the rationalisation has not always been in the name of efficiency. Banks have found themselves obliged to employ extra staff from among those returning from the colonies, and this is a problem which cannot be easily resolved. This problem has increased over the years. However, the banks have been able to ride this out because despite many external appearances the economy has been expanding quite fast, 6 per cent. last year, and with a good deal of liquidity. Sight deposits, for instance, last October were up 29 per cent. on the same period last year and for the year as a whole Banco Portugues do Atlantico, the most important commercial bank, witnessed a 30 per cent. increase in deposits, according to provisional figures.

One of the most notable developments in the banking system during the past two years has been the increasing powers of the Bank of Portugal which has now virtually acquired the functions of a central bank. The support which the bank has been forced to give the flagging Portuguese economy, has effectively made it the nerve centre of the whole system.

Secured

To-day its links with the Government have been secured with the appointment of Dr. Vitor Constancio as the new Minister of Finance and Planning. Dr. Constancio was, until this year, vice-governor of the Bank of Portugal and alone in the Government he retains the important position of having a foot in both camps. This has been particularly important in Portugal's present negotiations with the International Monetary Fund which will determine the credit policies that should be adopted by the banks. The IMF is insisting that the Bank of Portugal influences a much stronger control over the money supply, "selecting" economically viable areas of industry and agriculture.

Most Portuguese bankers agree that despite the guidelines laid down by the Bank of Portugal, they will still be left to compete with each other, much as they would if they were still in private hands. In the case of financing foreign trade the individual banks are still free to go to the markets that they wish. Moreover, although the Bank of Portugal decides on the general credit

policy, credit ceilings are determined on a per bank basis.

The Confederation of Portuguese Industry (CIP) which represents over 35,000 private companies continues to insist that as long as all the banks are nationalised the economy, in so far as it is represented by the private sector, will not progress.

Yet among most of the major Portuguese commercial banks there has been a growing acceptance in recent months of the economic viability of considerable areas of private industry and these will be in line for stimulus in the coming period of austerity.

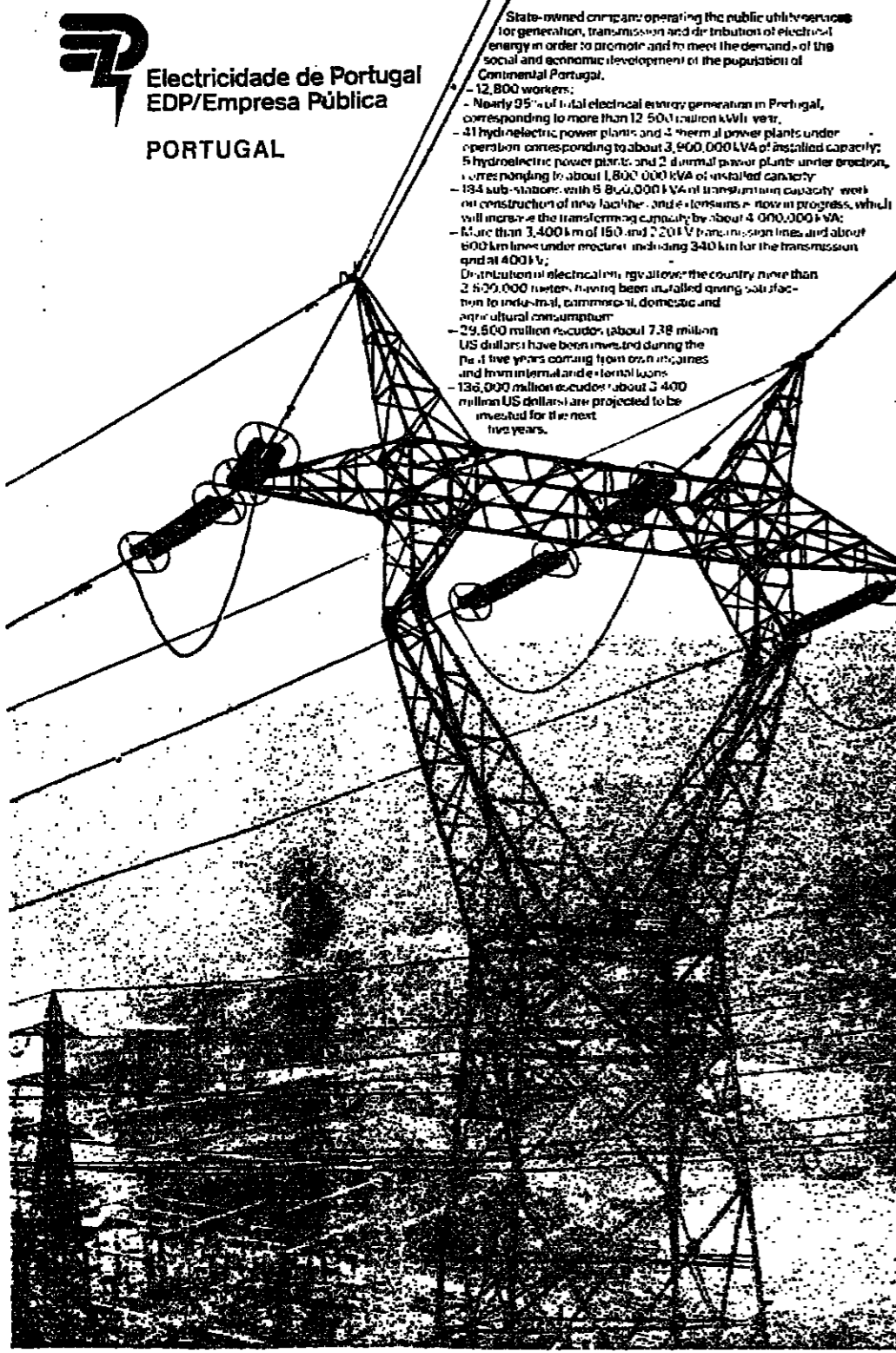
The banking system reflects the sense of political balance which the new Government of alliance between Socialists and Christian Democrats (CDS) swears by. Meanwhile bank clerks prepare to vote their new union representatives at the end of this month, in a campaign so quiet and unobtrusive that it would seem that the Communists have conceded defeat for the second year running.

J.B.



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- 184 sub-stations with 6,000,000 VA of transformation capacity, work on construction of new facilities and extensions is now in progress, which will increase the transforming capacity by about 4,000,000 VA.
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- Distribution of electrical energy covers the country more than 2,500,000 houses, having been installed during the last five years coming from own resources and from international loans.
- 135,000 million decouplers about 2,400 million US dollars are projected to be invested for the next five years.

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Seven against Silkin in fight to keep Milk Boards

BRUSSELS, March 7.

European sugar area to rise

Caught between devil and deep blue sea

on new developments has had to be restrained. One indicator of the companies' difficulties is the rise in long and short term indebtedness from \$57.5m. in 1971 to \$283m. in mid-1975, says the World Bank report on Zambia published last October.

The bank noted: "The companies, which had originally expected to finance capital expenditure up to two-thirds through retained earnings, apparently found that they had to borrow abroad just to maintain their operations."

Much of the new and existing debt will fall due for repayment by 1980, and the bank warns that debt service payments will

Another major problem is morale among the 4,000 expatriates on the mines whose skills are vital. The official shortfall is about 1,000 though the

But a serious rise in crime, particularly armed robberies in which two expatriates have been killed this year, a 20-25 per cent. inflation rate; a shortage of various commodities and general uncertainty about conditions in southern Africa makes it unlikely that the shortage will

BY RICHARD MOONEY

Bid to lift nickel market

Rhodesia attack boosts market

running from Zambia to Dar es Salaam, which handles 90 per

Over half of Tazara's 1,200-plus wagons are believed to be under repair and the turnaround of wagons is said to be taking 30 days—twice the planned time. Some 15 per cent. of Zambia railways' locomotives are at a

standstill because of shortages of heavy lubricating oil.

Haswell Mwale, Transport Minister, said last week that of 115 wagons sent to Dar only 71 had been offloaded.

The road fleet between Zambia and Tanzania has been run down in anticipation of Tazara's prominence as a trade route and is anyhow hampered by shortages

U.S. Markets

Coal crisis lifts gold and silver

NEW YORK, March 6.—PRECIOUS METALS rallied on speculative buying prompted by concern over the capitalists' reaction to President Carter's move to invoke the Taft-Hartley Act in a bid to end the pit strike. Cocoa closed strong on Commission House stop-loss buying, following London. Sugar eased on three lions liquidation and hedge-sellers. Coffee eased on Commission House selling and favorable lack of physical business. Batch reported.

Cocoa—March 157.75 (182.25), May 146.48 (141.25), July 143.08, Sept. 139.00, Dec. 134.00, March 132.00, May 130.13, July 128.30. Sales: 773 lots.

Coffee—"C" Contract: March 169.68-170.00 (165.75), May 149.25-149.75 (151.55), July 134.25, Sept. 129.00-130.00, Dec. 119.00, March 115.50-116.25, May 114.00-114.50, July 114.00-116.00. Sales: 675 lots.

53.00. July 64 00. Sept. 65.00. Dec. 66.60,
Jan. 67.10. Sales: 3,500 lots.

Cotton—No. 2: March \$5.40 (\$5.55), May \$6.95-37.08 (\$6.82), July \$8.20-38.40, Aug. \$9.40. Dec. \$9.95-39.89, March \$1.05-61.20, May \$1.60-61.90, July \$1.63-61.90. Sales: \$25,000 bales.

*Gold—March 156.10 (\$154.01), April 195.30 (\$154.07), May 186.30, June 159.50, Aug. 152.50, Oct. 193.20, Dec. 157.90, Feb. 190.60, April 203.80, June 206.60, Aug. 209.60, Oct. 212.60, Dec. 215.60, Feb. unquoted. Sales: 8,000 lots.

1Lard—Chicago loose 21.50 (\$23.06), New

Platinum—April 271.50-240.00 (326.50).

[illegible]

July 52-53-54, Sept. 54-55, Oct.
22-23, Jan. 59-60, March 9 83-89, Dec.
10, 16-18, July 10-32-33, Sales.
300 lots.
Tls-544.00-560.00 asked (552.00-556.00
asked).
-Wheat-March 276 (265), May 274
271, July 271 276, Sept. 275-276, Dec.
274, March 284.
WINNIEG. March 6. 11 Rye-Alv
8-20 169.00 bid, July 107.00 asked
8-20 bid, Oct. 106 200 bid.

+Oats—May 78.00 (77.50 bid), July
 78.00 bid (74.50 bid), Oct. 74.40 bid.
 +Barley—May 78.50 bid (78.10 bid), July
 80.00 bid (77.00 bid), Oct. 75.50 bid, Dec.
 1.00.
 +Flaxseed—May 223.50 (222.00 bid),
 July 227.00 asked (224.50 bid), Oct. 223.00
 bid, Nov. 232.00, Dec. 230.00.
 +Soybean—Sep. 113.00, Nov. 108.00.

All cents per pound ex-warehouse unless otherwise stated. *S's per ton, unless otherwise stated. †Cents per 100 lbs.—Dept of Ag. prices are weekly. Prime Steam Coal NY bulk car. †Cents per 36-lb bushel ex-warehouse. 5.00¢ bushel lots 4.5¢ per ton for 50-cumc units of 50.9 cums delivered NY. †Cents per bushel.

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lb bushel warehouse, 1,800 bushels
5. 55 SC per tonne.

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Firm tone late on better-than-expected bank figures

10	5.17	6.19	6.06	6.06
15	18.88	18.44	18.03	18.02
20	7.64	7.62	7.79	7.79
27	4.79	4.92	4.98	4.98
30	37.77	63.05	62.81	60.06
35	9.45	12.84	11.41	14.68
42.5	None	41.9	1 p.m.	42.8
45	3.41	41.1		
Index	29.45	8026		
	Corporation tax. % NH = 7.73.			
	Dad. Ord. 1985. Dad. Ord. 1.75.			
	cc. 182.			

OWS

Completion	
th	Low
4	49.18
56	(61.78)

S.E. ACTIN

	Mar. 7
Carte	
Dist. Signer	178.5
Dist. In	144.3

	Low	Y
—Daily		
Unit-Sheet	176.5	
—Interest	38.5	
Speculative	46.6	
Total	105.1	
—Daily		
Unit-Sheet	162.1	
—Interest	143.4	
Speculative	61.5	
Total	367.0	

LOWES FOR 1977

the
day
75.

Canada (1)
Imp. Cont. Corp. (1)
B. H. South

**CANADIANS (1)
INDUSTRIALS (1)
MINES (1)**

**Rises and F
yesterday**

up D

British Funds	54
Commonwealth Funds	36
Bonds	16
Industrials	401
Government and Gov.	135
Oil	7
Plantation	1
Medium	1
Recent Issues	11
Totals	678

RE INDICES

Times, the Institute of Act

	Mon. Mar. 6	Fri. Mar. 3	Thurs. Mar. 2	Wed. Mar. 1
Index No.	Index No.	Index No.	Index No.	
1	198.11	197.16	198.95	191.94

289.35	292.27	294.18	296.05
414.50	408.07	404.47	413.58
279.95	271.85	272.60	275.77
156.63	150.16	149.77	152.07
154.98	154.77	154.64	156.35
174.54	173.63	174.18	178.71
216.54	216.02	218.85	221.91
146.54	146.54	146.54	146.54
105.72	105.18	104.68	106.77
181.78	179.99	179.46	181.69
207.10	206.68	205.24	205.99
233.66	231.25	229.85	228.91
285.31	282.59	279.62	282.98
317.55	315.55	315.68	317.68
176.55	175.53	177.96	179.55
276.91	275.15	269.59	275.99
121.07	119.62	120.28	121.21
168.77	166.34	165.17	166.35
182.31	182.14	180.85	183.55
225.51	225.12	222.84	225.99
255.51	255.51	255.51	255.51
174.61	174.08	173.45	175.74
242.47	241.39	238.67	241.45
229.68	228.41	228.76	230.09
120.30	117.48	119.61	120.27
417.81	418.08	416.64	412.18
176.94	174.67	174.49	176.49

422.93	421.13	417.96	418.6
201.35	205.79	205.42	207.7
157.11	155.47	154.87	155.6
178.78	178.69	178.93	175.7
191.65	198.22	189.72	191.7
148.79	148.41	143.81	143.8
138.94	138.38	132.74	130.8
123.88	122.12	120.74	122.9
319.51	314.33	316.70	317.2
71.74	72.62	71.99	71.1
225.25	224.16	224.76	226.1
101.19	101.19	101.15	100.9
176.48	176.62	177.95	177.9
181.11	181.11	181.45	181.6
263.07	262.94	262.25	263.3
192.91	191.49	191.25	193.0
INTEREST			
Gross Red.			
	Tras.	Mon.	Mon.
	Mar-6	Mar-6	Mar-6
5 years.....	7.77	7.82	
15 years.....	16.85	16.87	
25 years.....	10.52	10.55	
5 years.....	9.86	9.88	
15 years.....	11.06	11.07	
25 years.....	11.22	11.23	
5 years.....	12.58	12.52	
15 years.....	11.93	12.06	
25 years.....	12.03	12.06	
as	10.30	10.30	

85	60.77	60.72	60.80	61.0
97	57.07	57.07	57.07	57.1
95	77.03	77.10	77.10	77.2

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Country	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040	2050
Japan	7.0	7.5	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0
Germany	10.0	10.5	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0
France	11.0	11.5	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0
Italy	12.0	12.5	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0
Spain	13.0	13.5	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0
Sweden	14.0	14.5	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0
United Kingdom	15.0	15.5	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0
United States	16.0	16.5	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0
Canada	17.0	17.5	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0
China	18.0	18.5	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0
India	19.0	19.5	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0
South Africa	20.0	20.5	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0
South Korea	21.0	21.5	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0
Poland	22.0	22.5	23.0	24.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0
Belgium	23.0	23.5	24.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0	32.0
Portugal	24.0	24.5	25.0	26.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0
Spain	25.0	25.5	26.0	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0
Sweden	26.0	26.5	27.0	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0
United Kingdom	27.0	27.5	28.0	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0
United States	28.0	28.5	29.0	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0
Canada	29.0	29.5	30.0	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0
China	30.0	30.5	31.0	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0
India	31.0	31.5	32.0	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0
South Africa	32.0	32.5	33.0	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0
South Korea	33.0	33.5	34.0	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0
Poland	34.0	34.5	35.0	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0
Belgium	35.0	35.5	36.0	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0
Portugal	36.0	36.5	37.0	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0
Spain	37.0	37.5	38.0	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0
Sweden	38.0	38.5	39.0	40.0	41.0	42.0	43.0	44.0	45.0	46.0	47.0
United Kingdom	39.0	39.5	40.0	41.0	42.0	43.0	44.0	45.0	46.0	47.0	48.0

akers Int'l.	Seabury	British Funds	54
TELECOM	THURSTON (2)	Bonds	16
Invest European	Macleod Invs.	Industrials	401
AMERICAN MINES	N.Y. & Gould	Financials and Pro	131
WARGO	W. H. Jennings	Oil	7
NEW LOWS (5)	Goldcorp S.A.	Plantation	1
AMERICANS (2)	Chrysler	Recent Issues	11
arnes Green		Totals	676

OPTIONS TRADED

DEALING DATES	First	Last	For	Settle-
Deals	Dea-	Decla-	ment	ment
Apr. 7	Mar. 30	Apr. 8	Jun. 21	
Apr. 21	Apr. 10	Jun. 22	July 5	
Apr. 11	Apr. 24	Jun. 6	July 19	

or rate indications see end of Share Information Service

Money was given for the call

Warrants, Town and City Proper-

ties, Ofrex, Premier Consolidated

Capital and Counties Pro-

erty, Grand Metropolitan

rants, Staaff Intern

Lombro, Burnham Oil,

Karl, Westward TV, Joh

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red, Redfean National,

National Carbonising, B

Portland, Racial Electron

Podens, Putis were taken

Hensley, Dixon's Photo,

ies, Churchill, and

doubles were arranged i

Ladbroke Warrants, To

City Properties and Lo-

INDICES		FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.			Tues. Mar. 7	Mon. Mar. 8
rd adj- to day	xd adj. 1979 to date	1 Low	5 years.....	7.77	7.82	
		2 Coupons	15 years.....	10.05	10.07	
		3	26 years.....	10.52	10.53	
-	2.10	4 Medium	5 years.....	9.86	9.88	
-	1.99	5 Coupons	15 years.....	11.06	11.07	
-	2.32	6	26 years.....	11.22	11.23	
-	1.78	7 High	5 years.....	10.50	10.52	
u.	2.07	8 Coupons	15 years.....	11.95	11.96	
		9	26 years.....	12.03	12.04	
		10 Tredemables		10.50	10.50	

Sunday, March 7	Monday, March 8	Friday, March 3	Thurs. March 2	Wed. March 1	Tues. Feb. 28	Monday, Feb. 27	Friday Feb. 24
Index	Yield %						

5.57	12.26	80.59	80.69	80.85	80.77	60.78	60.80	61.0
5.83	12.46	66.93	66.97	57.07	57.07	57.07	57.07	57.1
5.86	11.82	76.92	77.00	76.95	77.03	77.10	77.10	77.2

ord. has. date and volume and
available from the Publisher,
the Financial Times, Brackley House
at 22p.

[illegible]

FINANCE, LAND—Continued[illegible]

Pue Forge	47	1	Clendinning	96	+3
Pulley Pig-asp	47	1	Concrete Park	118	0
Grav Ship 11	172	3	Heiden Hilda	49	0
Higgins Asp	80	0	Ice Corp	140	0
I.O.M. Sen. 11	245	0	Irish Ropes	133	0
Holt Joe, 25p	243	0	Jacord	37	0
Nann. Goldsmn	37	0	Sunbeam	30	0
Pease C. H. L.	128	0	T.M.G.	178	0
Peel Mill	47	0	Tandary	722	0
Sheffield Bed	46	0			

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INDUSTRIALS										RAILROADS										TRANSPORTATION										MISCELLANEOUS																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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Price rise warning by steel industry

BY ROY HODSON

ENGINEERING and other metal-using industries face price rises of up to 12 per cent for some British Steel Corporation products during the next three months.

Plates and long products are most likely to be affected, with flat products, vital for the motor industry, unlikely to suffer such big increases because of weak demand and competition from imports.

A clear warning that British steelmakers intend to pursue a harder pricing policy, now that the EEC industry is underpinned by the imports restraint plan designed by Viscount Eddison Davignon, EEC industrial commissioner, was given yesterday by Mr. Bill Richardson, British Steel's manager for contracts and prices.

He told steel men at a London seminar that the prices of some products would be raised between April and June and that British Steel would also work towards greater comparability between British and other EEC steel price-lists.

He mentioned no figures, but steel buyers are working on the assumption that some rises in the next three months will be as much as 10 to 12 per cent.

Mr. Richardson said that British steel prices could be expected to keep pace with the European inflation rate. But British Steel did not regard the Davignon plan as a licence to raise prices simply in order to eliminate the Corporation's losses.

Discounts

Mr. Eric Varley, Industry Secretary, has threatened that British Steel will lose £500m. in the present financial year. Mr. Richardson hinted yesterday that the losses might be contained at below £500m. But he added: "We still have one or two hiccups."

Negotiations are going on between the EEC and "third" countries whose steel industries export into the Community. The object is to secure bilateral agreements on prices and tonnage. The EEC is willing to allow third countries a price discount of, on average, 5 to 6 per cent in the European market, but it is proving difficult to reach agreement on tonnage quotas.

Mr. Richardson said that tonnage would be the major stumbling block in the third country negotiations. "The fact is that importers cannot expect to go on increasing their market share in a falling market, while the domestic producers cut output." The cutbacks in steel imports from third countries should be considerably higher than the 10 per cent mentioned in some quarters.

The same seminar, organised by Metal Bulletin, told by Mr. John Safford, director of the British Iron and Steel Consumers' Council, that steeling industries could not accept that British prices should be higher than the Davignon guidance prices simply to enable them to reduce the scale of their losses. That would put Britain at a competitive disadvantage.

Layoff for 850 Ford tractor men

By Arthur Smith, Midlands Correspondent

FORD is the latest U.K. tractor maker to announce short-time working in response to the fall in world demand. About 850 production workers at the company's Basildon, Essex, plant will be laid off for two days before Easter.

Management last night warned that a similar two-day stoppage might be needed next month. The company blamed fluctuations in world markets for the setback. The Basildon factory, which employs 4,000, supplies engines, hydraulics and rear axles for Ford tractor assembly world-wide. The plant built 47,325 tractors last year more than a third of Ford's world sales.

Massey Ferguson has announced that nearly all 4,800 workers at its two Coventry plants will be laid off for the three working days of Easter week. The shutdown will be extended into the following week for the majority of machine shop employees. The company has warned that a further closure of Coventry operations will almost certainly be needed before the end of next month.

International Harvester is seeking the equivalent of 310 redundancies at its Bradford plant, largely because of the collapse of a contract with Turkey to supply 2,500 tractors and 4,000 sets of components a year.

The deal was overturned by the decision of the Turkish central bank to restrict imports. There are no plans to reduce labour at the company's Doncaster plant, where 4,700 make bigger tractors and other equipment.

Feature Page 23

De Beers acts to cool gems speculation

BY PAUL CHEESERIGHT

DE BEERS, the South African group which is a major diamond producer and whose Central Selling Organisation dominates the international market in rough stones, yesterday acted to cool the overheated gem market.

"There has developed in recent months a high level of speculative trading which has carried the price of rough diamonds in the open market to levels which are not justified in relation to prices at consumer levels," the company said as it announced a substantial profits increase.

"Stocks at inflated prices have accumulated in the cutting centres and are largely financed by bank credit, which is now at a level substantially higher than that needed to finance the normal working of the industry. The market should be alert to the dangers inherent in this situation."

Rough diamonds move into the international market through ten sales held in London every year by the central selling organisation. Despite price rises imposed by the Central Selling Organisation in a 17 per cent increase in December, they have been changing hands at a premium of up to 50 per cent on the selling organisation price.

Reluctant

The company seems reluctant at this stage to make another price rise for fear of inflating values in the cutting centre still further.

De Beers and its selling organisation have maintained their primacy over the market by being able and willing to carry stocks in lean times and by funneling stones on to the market at a rate which can be

absorbed. A build-up of stocks outside their immediate control threatens their position.

Speculative activity has been most marked in Israel, where diamond traders have been attracted to holding stocks because of the weakness of the Israeli currency and the fluctuations of the U.S. dollar. The result has been to create artificial shortages within the trade.

Diamond traders working on credit have become vulnerable to a downturn in the jewellery market, because it is the high demand over the last two years—especially in the United States, Japan and Germany—that has underpinned prices. A downturn could result in burned fingers and dislocation of the established pattern of diamond trading.

De Beers last year made a net profit of \$633.5m. (\$276.9), compared with \$337m. in 1976. Mining News Page 28

Ten-company options for London market

BY MARGARET REID

OPTIONS in shares of ten prominent British companies are expected to be dealt in when the trade share options market opens in London under the auspices of the Stock Exchange, probably early in April.

The ten are British Petroleum; Consolidated Gold Fields; Courtauld; GEC; Grand Metropolitan; Land Securities; Investment Trust; Marks and Spencer; ICI; and Shell Transport.

It is hoped later to increase the list to between 30 and 40. Trading in share options, already developed in Chicago and other markets in the U.S. and elsewhere, introduces a new dimension into investment facilities. It enables investors not only

as at present, to buy options to purchase shares in future, at pre-fixed prices, but also to trade in the options themselves.

Although little has yet been announced about the London venture beyond the Stock Exchange's firm backing for it, preparations are at an advanced stage.

A separate venture in traded options, the European Options Exchange, opens in Amsterdam on April 4, trading initially in options on shares of nine companies, three Dutch, three British and three American.

The London options market, to be conducted from a podium on the Stock Exchange floor daily between 10 a.m. and 3.30 p.m., with after-hours trading, is a more restricted and substantially

cheaper enterprise than the Amsterdam one.

The London market is not expected to cost more than about £200,000 to set up.

A number of restrictions are planned in London to counter any risk or malpractice or manipulation.

Options will be limited to 10 per cent of the share capital of the underlying security, and there will be curbs on the number of options of each type which any individual or group or individuals can have.

Although no decision on commission charges has been taken, it is virtually certain that commission will be based on the cost of the options, and not on the value of the underlying share, as in the existing non-tradeable options market.

Chief registrar forbids friendly society to enter new contracts

BY ERIC SHORT

DRUMMOND Assurance Society, the friendly society managed by Drummond and Company, insurance brokers, has been forbidden by the chief registrar of friendly societies from accepting new members or from entering into new contracts with members of the society.

The order was made yesterday under section 38(1) of the Friendly Societies Act, 1974. It is the first time the registrar has ordered a society to stop accepting new business since he was given the powers to do so in 1971.

The registrar said yesterday that, first, the amount spent on management of the society was an undue proportion of the

society's premium income. Second, it lacked independence of operation since it had officers who were also executives with Drummond and Company and Drummond Investors—two companies whose financial standing was in question.

The society was registered under the 1974 Act on October 18, 1976. According to latest information available to the registrar, it has about 280 policyholders and assets of £16,500 held by Midland Bank Trust Company. The death benefits under the policies are re-assured, and the society's investments are in funds managed by notable financial institutions, such as the M and G unit trust group, the Schlesinger group, and Roth-

schild's New Court fund. Thus the solvency of the society does not appear to be in question and existing benefits are secure.

Drummond Assurance Society is the investment vehicle for the Drummond Life Assurance Bond—a unit-linked bond marketed by Drummond and Co. which, though it operates as insurance, does not, apparently, belong to any professional body.

A feature of the scheme, with its investment into the units of other financial institutions, is that the tax exempt provisions allowed to friendly societies are being applied. Certain investors are taking legal action against Drummond and Co. for the repayment of money deposited with the company.

Yarrow men beat pay guidelines

BY PAULINE CLARK, LABOUR STAFF

ANOTHER MAJOR group of shipbuilding workers has beaten the Government's pay guidelines by winning a fair wages award.

Nearly 4,500 manual workers in the Yarrow Shipbuilding yard on Clydeside ended a month-old overtime ban yesterday after being told the decision by the Central Arbitration Committee—a permanent tribunal set up by the Employment Protection Act to adjudicate on claims under the Act and other legislation.

The award comes on the eve of today's meeting in Newcastle of the Confederation of Shipbuilding and Engineering Unions at which the financial position of the industry is likely to be discussed in relation to wages in the nationalised yards.

A series of fair wage claims have also been lodged with the

committee by workers elsewhere in the industry.

Like the Yarrow claim, they will be justified on the Fair Wages Resolution which stipulates that companies engaged on similar Government work should pay the same to their workers.

Such claims have been prompted this year by the Government pay restrictions and the fact that it is now easier to justify an award since the nationalisation of the industry.

After a variety of awards covering about 5,000 workers in Swan Hunter earlier this year, it is thought inevitable that further claims will be lodged, particularly by Tyne-side shipbuilding workers.

Under the latest award, in what has emerged in recent months as something of a major fair wages battleground in the shipbuilding industry, the Yarrow workers have gained a

similar increase to that achieved earlier this year by 1,200 staff at the yard.

They won a 10 per cent increase on top of their latest wage rise of 9.32 per cent, after claiming a disparity between their rates and the rates of those doing similar work elsewhere.

While the staff used the Employment Protection Act, Schedule 11, the manual workers, in common with those at the Swan Hunter Tyne-side yard earlier this year achieved the same result under the 1946 Fair Wages Resolution.

With about 5,000 manual workers at Scott Lithgow having also won a fair wages increase, the bulk of claims by Clydeside workers in nationalised yards for extra rises this year have been tied up.

Swan Hunter men return Page 8

Rhodesia border conflict

Rhodesian attack was simply directed against a Zambian army base, for it would serve little purpose other than to harden the Zambian Government's stand.

Last month Rhodesian troops were reported to have made two raids in swift succession on Zapu forward camps on the Zambian side of Lake Kariba, in which over 20 guerrillas were killed.

Although denying the raids, the Zambian Government did announce the deaths of eight Zambian soldiers in a landmine explosion. Observers believe the mines may have been laid by retreating Rhodesian forces. At least three Zambian civilians also died in land-mine explosions in the same area last month.

Our Foreign Staff writes: Rhodesian military headquarters confirmed last night that Rhodesian forces had entered Zambia in an attempt to pre-empt a large scale incursion from a terrorist base inside Zambia.

All military information from Rhodesia is now subject to censorship, but Reuters reported from Salisbury that according to a military communiqué a group of guerrillas had crossed into Rhodesia "and committed atrocities against the civilian population."

Guerrillas had been observed rehearsing "boat-crossing operations" on the Zambezi river, and as "it became apparent that this group was the forerunner of a large incursion which was in the process of being mounted, a self-

defence operation was launched against the terrorist base."

The communiqué said that 38 guerrillas had been killed and large quantities of Soviet-made equipment captured or destroyed. There were "no Zambian forces or civilians in the terrorist base at the time of the attack" and all Rhodesian soldiers had now returned, the communiqué said.

Meanwhile in New York, where the Security Council debate on the Rhodesian issue continued last night, UN Secretary-General Kurt Waldheim strongly condemned the Rhodesian attack. It is not clear whether the African group will go ahead with a resolution seeking outright Security Council condemnation of the Salisbury settlement.

Miners set to defy Carter

By Jurek Martin, U.S. Editor

WASHINGTON, March 7.

PRESIDENT Jimmy Carter's attempt to get the unionised coal mines operating again met predictable obstacles to-day as both miners and employers showed signs of resisting his initiative.

Even though the legal orders implementing his invocation yesterday of the Taft-Hartley Act, putting the miners back to work for an 80-day cooling off period will take effect only on Thursday, the earliest informal surveys suggested that a majority of the members of the United Mine Workers Union would defy the injunctions.

In addition to their deep resentment of the non-wage elements of the settlement which they have overwhelmingly rejected, the miners are incensed by the President's refusal to order seizure of the mines simultaneously.

The Bituminous Coal Operators' Association, representing 90 per cent of the members of the mines, re-opened but only under the terms of the old 1974 contract.

Yesterday Mr. Carter said he hoped to find a way for miners returning to work under Taft-Hartley to be paid wage rates designated in the rejected settlement, which would have provided for a 37 per cent increase over three years.

Palatable

The statement put out by the Operators Association, which claims that it had no discussions with the Administration about the proposed "sweetener" until Mr. Carter made it public, merely said that wage payments could be made where individual settlements were reached in the course of the cooling off period. It also suggested that the Government and union should produce a new bargaining formula.

In the face of this intransigence from both union and management, there was renewed speculation to-day that President Carter might yet consider seizure of the mines.

At briefings yesterday senior Administration officials ruled this out, arguing that seizure, while more palatable to the union, would involve a time consuming legislative process and be an inducement for miners not to comply with Taft-Hartley in the meantime.

Mr. Ray Marshall, the Secretary of Labour, was much less adamant in a television interview last night. Though he argued that a combination of seizure and Taft-Hartley "tend to neutralise each other," he said the Administration would have seizure legislation prepared if necessary.

Mr. Arnold Miller, the beleaguered head of the Mine workers Union, said he thought some miners would go back to work "because they are law abiding citizens."

Canada's borrowing requirement. Page 4; Feature, Page 22

Weather

U.K. TO-DAY
DRY in the S. Rain in the N. London, S. England, E. Anglia, Midlands, Channel
Dry, bright intervals. Max. 9C (45F).

E. N. England
Bright at first, rain possible later. Max. 8C (46F).
Wales, N.W. England, Lakes
Cloudy, occasional rain, clearing. Max. 8C (46F).
Scotland, Borders, I. of Man,
Orkney, Shetland
Cloudy, rain and hill fog, clearing. Max. 6-8C (43-46F).

BUSINESS CENTRES

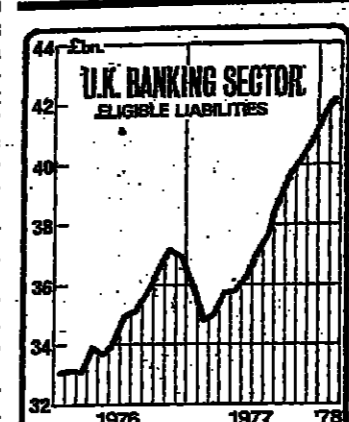
	Y-day	Mid-day	Y-day	Mid-day	
	°C	°F	°C	°F	
Amsterdam	F 12	54	Madrid	C 12	54
Albany	F 12	54	Manila	C 12	54
Bombay	F 24	75	Newcastle	C 10	50
Buenos Aires	F 24	75	Paris	C 10	50
Calcutta	F 24	75	Rome	C 10	50
Cardiff	F 12	54	Singapore	C 24	75
Chicago	F 12	54	Tokyo	C 12	54
Columbo	F 24	75	Yokohama	C 12	54
Connaught	F 12	54			
Dublin	F 12	54			
Edinburgh	F 12	54			
Frankfurt	F 12	54			
Glasgow	F 12	54			
Helsinki	F 12	54			
Hong Kong	F 24	75			
London	F 12	54			
Lyons	F 12	54			
Manila	F 24	75			
Mumbai	F 24	75			
Osaka	F 12	54			
Seoul	F 12	54			
Singapore	F 24	75			
Taipei	F 24	75			
Tokyo	F 12	54			
Yokohama	F 12	54			

HOLIDAY RESORTS

	Y-day	Y-day		Y-day	Y-day
	Mid-day	Mid-day		Mid-day	Mid-day
	°C	°F		°C	°F
Algeria	F 14	57	Jersey	C 8	46
Algiers	R 15	59	London	C 10	50
Bahamas	F 12	54	Madrid	C 10	50
Bahia	S 11	52	Las Vegas	C 18	64
Bahia	C 8	46	Los Angeles	C 12	54
Bahia	S 10	50	Manila	C 12	54
Bahia	S 16	61	Moscow	C 12	54
Bahia	S 16	61	Newcastle	F 17	63
Bahia	C 20	68	Paris	C 20	68
Bahia	S 17	63	Rome	S 19	66
Bahia	S 17	63	Singapore	S 19	66
Bahia	S 17	63	Tokyo	S 19	66
Bahia	S 17	63	Yokohama	S 19	66
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European setback for Unilever

Index rose 1.3 to 4441



Unilever's pre-tax profits turn out to be right in the middle of the range of market expectations at £551m., a decline of 10 per cent on 1976. The profits of the fourth quarter are down 6 per cent on a constant exchange rate basis at £125m.; but after allowing for currency movements and a £124m. charge for exceptional provisions—mostly relating to the reorganisation of the Dutch meat business—attributable profits for the final period are £124m. lower at £124m.

The 1977 figures are also influenced by the reduction in Unilever's shareholding in UAC Nigeria from 60 to 40 per cent—on a comparable basis operating profits for this year would be up 6 per cent. Nevertheless the overall picture is not inspiring. The group's important European markets have been depressed and sales have actually declined in volume terms. The 11 per cent sales rise for the group as a whole is fully accounted for by price increases.

With the exception of the Lipton business in the U.S., the only areas of real growth have been in the developing countries. Lever Brothers, Unilever's U.S. detergent business, had another poor year.

So the outlook for a substantial improvement in profits depends very much on Europe. Although outside analysts are forecasting a 15 per cent increase at the pre-tax level for 1978 there are still few signs that the necessary boost in consumer spending throughout Europe is around the corner. On an unchanged price of 482p for the day, the shares are at a P/E of just under 7, and the restricted yield would be 6.3 per cent. In to-day's market there is nothing special about this rating.

Eligible Liabilities

The gilt-edged market picked up a little last night on eligible liability figures which were less buoyant than predicted by some of those who had anticipated substantial window dressing by constant-fearing bankers. All the same, an advance of 1.4 per cent is far from satisfactory, coming on top of the rapid growth in other recent months.

It looks as though the money supply figures, when they appear next week, could show a rise of the order of 1 per cent in sterling M3, seasonally adjusted, and this would lead to an annualised growth rate for the April-February period being 25m. or so up on 1976. But at the moment it is around 14 per cent, still as was widely anticipated just well above the top-of-the-range six months ago. BSR's pre-tax

target figure of 13 per cent. There is no immediate sign, despite a modest slackening compared to January, of an end to the burst of rapid monetary growth which has been reflected in an annual growth rate of 20 per cent in sterling M3 since August. The prospects for the March banking month, which ends in a week's time, have been dented by the absence of significant gilt-edged sales by the Government since mid-February.

Still, a monetary problem which results mostly from Government debt sales is in the course of time likely to be self-correcting as liquidity builds up. And there is no sign that an unduly high borrowing requirement or buoyant bank lending (clearing bank advances rose at only a moderate pace in February) are causing trouble. So with the long tap-taking the Government Broker's last effective price—only about 1/2 of a point above the market, and with the new short tap also ready for action, the authorities are better placed to take advantage of any good news than for a little while past.

They are unlikely to allow any demand to push the market to significantly higher price levels, however. Confidence would be too brittle ahead of the Budget—just five weeks off—with its declaration of the fiscal and monetary targets for 1978-79.

BSR

Last autumn BSR caught the stock market off-guard by posting a £0.9m. drop in interim profits and ever since then analysts have been revising forecasts lower and lower. Instead of the April-February period being 25m. or so up on 1976, but at the moment it is around 14 per cent, still as was widely anticipated just well above the top-of-the-range six months ago. BSR's pre-tax

profits are in fact at £20.3m. But the discounting a back and they closed at 90p last night, 80 per cent and a 5.8 contrast with group's former gain.

Predictably, BSR's U.S. sound reputation has suffered the weakness of the dollar, although North America volume was up by 3 was offset by sharp Europe, the U.K. and Stripping out the rate movements the BSR's sound reputation stagnated. It has subsequently in prices by 8-10 per another 5-6 per cent pipeline, so even if increase in sales year year profitability recover. Meanwhile consumer products to absorb a £0.5m. the recent Judge II acquisition but this back into the black and the group as a whole is able to push above the 1976 peak helped by some sterling.

Comet/Wigfall
At the last possible moment Comet gas increase for Henry Wigfall, an eighth to £14.2m per share. This time cant. Its only real b ning the day is to resolve of the s. controlling 45.4. Wigfall (directors, friends) who h resolutely approaches. So its been to take the heat out of the af the market show how. Wigfall could be with Before yesterday's ment, when it see, that the initial lapse, Wigfall's down to 196p.

On the basis of figures, the new generous. Even after round, Wigfall's pre-half-year to next A expected to be much £11m. Suggestions rental assets could nearly £25m. are irre less it can show that profits are going to substantially, or the else is prepared to At the moment it is that Wigfall's def probably hold.

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